

STATE OF WASHINGTON
OFFICE OF THE STATE TREASURER

LOCAL GOVERNMENT INVESTMENT POOL
AN INVESTMENT POOL OF THE STATE OF WASHINGTON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008





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FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Report prepared by:

Office of the State Treasurer

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Michael J. Murphy
State Treasurer



MICHAEL J. MURPHY
State Treasurer

State of Washington
Office of the Treasurer

The Local Government Investment Pool (LGIP) is an optional investment tool available to political subdivisions, community and technical colleges, four-year public institutions of higher education, the State Board for Community and Technical Colleges, and the State Finance Committee in the State of Washington. The LGIP, operated by the Office of the State Treasurer, was created by the Legislature in 1986 to enable local governments to earn a competitive rate of return while maintaining the safety and liquidity of their excess funds.

During Fiscal Year 2008:

- The average balance in the LGIP portfolio was \$6.753 billion maintained by 446 participants.
- The LGIP had a net administrative charge of 0.840 basis points. This was the lowest in the LGIP's 22 year history.

The LGIP has grown significantly, both in participation and portfolio size, since its inception in 1986. The Treasury Management System (TM\$) continues to be a valuable resource for participants. TM\$ and the automation it provides, helps keep LGIP administrative costs at a minimum. Approximately 75 percent of daily LGIP transactions are currently initiated by participants via TM\$.

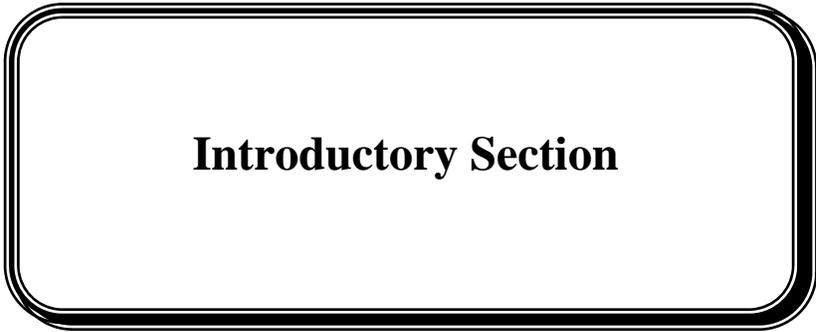
I am proud to report the LGIP net rate of return during Fiscal Year 2008 outperformed its benchmark by 79 basis points. The benchmark is the iMoneyNet Inc. Government Only/Institutional Only Money Market Funds, which is comprised of privately managed money market funds similar to the LGIP. Since July 1994, LGIP participants have earned approximately \$255 million over what the average comparable money market funds would have generated.

On behalf of the staff at the Office of the State Treasurer, I want to thank you for your continued confidence in the LGIP. If you have questions or suggestions on how to improve our services, please call me at (360) 902-9001.

Sincerely,

MICHAEL J. MURPHY
STATE TREASURER





Introductory Section





MICHAEL J. MURPHY
State Treasurer

State of Washington
Office of the Treasurer

October 21, 2008

The Honorable Christine O. Gregoire, Governor
The Honorable Brian Sonntag, State Auditor
Members of the State Finance Committee
Members of the Joint Legislative Audit and Review Committee
Participants in the Local Government Investment Pool

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) of the State of Washington Local Government Investment Pool (LGIP) for the fiscal year ended June 30, 2008. This report has been prepared by the Office of the State Treasurer (OST) as required by Revised Code of Washington (RCW) 43.250.080. It includes only activity of the LGIP and does not include data or information related to other state agencies or funds.

Responsibility for the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with management of the Office of the State Treasurer. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the LGIP.

Peterson Sullivan, PLLC has issued an unqualified ("clean") opinion on the financial statements for the fiscal year ended June 30, 2008. The independent auditor's report is included in the financial section of this report.

Management's Discussion and Analysis (MD&A), immediately following the independent auditor's report, provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the LGIP

The LGIP, created by the Washington State Legislature in 1986, is managed and operated solely by OST. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation. The advisory committee includes 12 members selected from active pool participants. Eight members are appointed by participant associations, and four are appointed by the State Treasurer.

The LGIP is operated as a business enterprise within the framework of state laws and regulations. The LGIP's primary purpose is to provide an investment tool for local governments. No general government functions are managed within the pool. Political subdivisions (local governments), public colleges and universities, the State Board for Community and Technical Colleges and the State Finance Committee may, at their option, invest temporary cash surpluses to take advantage of the volume and expertise of the state's investment program to earn a competitive rate of return while maintaining security and liquidity. The objectives of the State Treasurer's investment program, in priority order, are safety, liquidity and return on investment.

Investment Risk Profile

The LGIP is considered extremely low risk. It is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The portfolio is made up of high-quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The LGIP also has a strong degree of asset diversification to minimize risk and maintain adequate rates of return.

The investment activity is guided by an investment policy, approved by the State Treasurer and operates under the standard of the prudent investor. OST operates the LGIP for investing cash in excess of daily requirements. Among the investments authorized by statute are: U.S. Treasury and agency securities, banker's acceptances, repurchase agreements, reverse repurchase agreements, commercial paper, and certificates of deposit with qualified public depositories.

The LGIP is managed diligently by professional treasury personnel to protect against losses from market and credit changes. However, the pool is not insured or guaranteed by any government. Therefore, the maintenance of principal is not fully assured.

Economic Condition and Outlook

The economic condition of the LGIP is based primarily upon investment earnings. With \$7 billion in assets as of June 30, 2008, the LGIP produced an average monthly portfolio yield of 4.04 percent. The LGIP exceeded its benchmark by 79 basis points, resulting in \$53 million in additional interest income for participants.

Fiscal year 2008 was marked by substantial easing of monetary policy by the Federal Open Market Committee (FOMC). The FOMC lowered its target for the federal funds rate seven times from September 2007 through April 2008. The targeted federal funds rate began the fiscal year at 5.25 percent and ended the period at two percent.

The FOMC carefully monitored economic and financial developments and acted to promote sustainable economic growth, foster price stability and mitigate adverse effects on the economy arising from the disruptions in financial markets. During the period, the FOMC noted that economic growth slowed, reflecting the intensification of the housing correction and softening in business and consumer spending. Moreover, strains in financial markets increased and elevated energy and commodity prices put upward pressure on inflation.

The FOMC continued to take action in view of a weakening of the economic outlook and increasing downside risks to growth. Throughout the fiscal year, financial markets remained under considerable stress, and tight credit conditions and the deepening housing contraction weighed on economic growth.

The FOMC expects inflation to moderate later this year and next year. However, in light of the continued increases in the prices of energy and some other commodities and the elevated state of some indicators of inflation expectations, uncertainty about the inflation outlook remains high. During fiscal year 2009, the FOMC has already lowered its target for the federal funds rate 50 basis points to one and one half percent pointing to a weakening of economic activity.

Due to the short-term nature of the LGIP portfolio, and the types of investments utilized, the LGIP yields will closely follow the targeted federal funds rate.

Internal Controls

Management is responsible for establishing and maintaining internal controls designed to ensure that the assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformance with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. Management continues to assess the adequacy of its internal controls and make improvements when needed.

The State Treasurer maintains internal controls to protect against the loss of funds. Staff responsible for oversight of the pool receive daily reports monitoring investment operations to ensure compliance with the terms of the investment policy. In addition, a risk assessment and internal control evaluation is performed annually.

Additional Information

A section of the State Treasurer's website is dedicated to the LGIP. This CAFR, plus additional information for participants and interested parties, may be accessed through the OST website (<http://tre.wa.gov>).

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the LGIP for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the eleventh consecutive year the LGIP achieved this prestigious award. In order to be awarded a Certificate of Achievement, OST had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. OST believes this CAFR continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report was accomplished due to the efficient and dedicated services of many individuals in OST's Accounting and Fiscal Services Division and its Investment Division. Due credit is given to State Treasurer Michael J. Murphy and Assistant State Treasurer Allan J. Martin for their commitment to operating the Office of the State Treasurer and the LGIP in a responsible and progressive manner.

This CAFR reflects our commitment to pool participants and citizens of the state of Washington to maintain financial statements in conformance with the highest professional standards.

Sincerely,



SHAD PRUITT
DEPUTY TREASURER

Certificate of Achievement for Excellence in Financial Reporting

Presented to
State of Washington
Local Government Investment
Pool

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

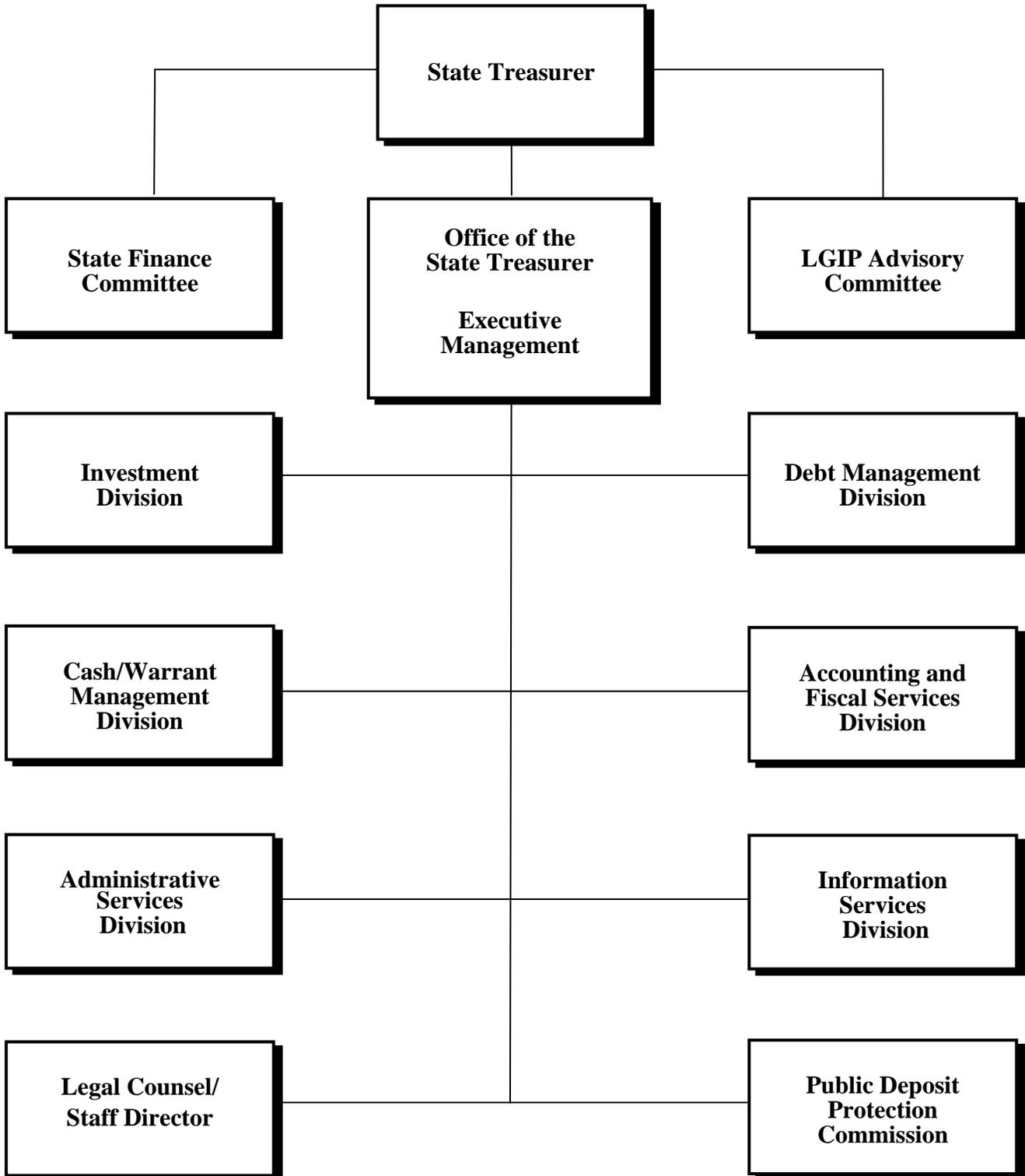


Chloe S. Cox
President

Jeffrey R. Emer
Executive Director

ORGANIZATIONAL CHART

Office of the State Treasurer



ADVISORY COMMITTEE

Members

Dani Burton
County Treasurer
Klickitat County

Mary Nelson
Director of Finance
Port of Grays Harbor

Stan Finkelstein
Executive Director
Association of Washington Cities

Shelley Pearson
Investment Officer
Kitsap County

Toni Habegger
Chief Financial Officer
Eastern Washington University

Linda Riffe
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Island County

Morgan Jacobson
Treasurer
City of Tacoma

Barbara Stephenson
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Kitsap County

Carrie Lewellen
Treasurer
City of Vancouver

Doug Streeter
Treasurer
Grays Harbor County PUD

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County Treasurer
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Finance Manager
City of Richland

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Members

Michael J. Murphy

State Treasurer and Chairman

Christine O. Gregoire

Governor

Brad Owen

Lieutenant Governor

General Information

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Tel 206.382.7777 • Fax 206.382.7700
<http://www.pscpa.com>

INDEPENDENT AUDITORS' REPORT

To the Office of the State Treasurer and Pool Participants
State of Washington Local Government Investment Pool
Olympia, Washington

We have audited the accompanying statement of net assets of the State of Washington Local Government Investment Pool ("the LGIP") as of June 30, 2008, and the related statement of changes in net assets for the year then ended. These financial statements are the responsibility of the State of Washington Office of the State Treasurer. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the LGIP as of June 30, 2008, and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management discussion and analysis on pages 12 through 14 is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of investments and certificates of deposit as of June 30, 2008, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory, investment, and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Peterson Sullivan PLLC
October 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Washington State Treasurer's Office provides the Management's Discussion and Analysis of the Local Government Investment Pool's (LGIP) Comprehensive Annual Financial Report (CAFR) for readers of the financial statements. This overview and analysis of the LGIP's financial activity is for the fiscal year ended June 30, 2008. Please read this analysis in conjunction with the letter of transmittal and the financial statements that follow.

Financial Highlights

- The LGIP reported net assets as of June 30, 2008, in the amount of \$6.9 billion.
- The LGIP distributed \$274 million to pool participants as a result of investment activity during the year. This was a decrease of \$27 million from the previous year.

Overview of the Financial Statements

The LGIP is operated in a manner consistent with Rule 2a-7 money market funds, as recognized by the Securities and Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities in order to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with generally accepted accounting principles (GAAP). This is based on the assumption that governments face custodial risk in connection with sold investments up to the date of settlement and face no custodial risk in association with purchases recorded on the balance sheet prior to the settlement date. This report consists of the Statement of Net Assets, Statement of Changes in Net Assets, Notes to the Financial Statements and the Schedule of Investments and Certificates of Deposit. In addition, this CAFR also contains supplementary and statistical information to aid the reader in further understanding the financial position of the LGIP and the results of its operation for the fiscal year ended June 30, 2008. The following is a description of the basic financial statements:

Statement of Net Assets - The Statement of Net Assets presents all of the LGIP's assets and liabilities, with the difference between the two reported as net assets. It also provides information on the types of investments held by the LGIP.

Statement of Changes in Net Assets – The Statement of Changes in Net Assets presents information on how the net assets changed during the fiscal year. Additions consist of the contributions from participants and investment income. Deductions consist of distributions to participants and administrative expenses.

Notes to the Financial Statements - The Notes to the Financial Statements serve to describe the LGIP as a reporting entity and to further clarify its financial activity as reported in the financial statements.

Financial Analysis

To gain an understanding of the financial position of the LGIP, the reader should examine the financial statements as a whole, rather than in isolation from one another. This will provide a more comprehensive picture of the activity.

A summary of the LGIP's net assets is presented below:

Table 1
Net Assets
(expressed in millions)

	2008	2007	Dollar Change	Percent Change
Pooled cash and investments	\$ 6,867.7	\$ 6,190.1	\$ 677.6	10.9 %
Receivables	18.7	21.6	(2.9)	(13.4)
Securities lending investments	113.6	91.1	22.5	24.7
Total Assets	7,000.0	6,302.8	697.2	11.1
Liabilities	113.9	190.6	(76.7)	(40.2)
Net Assets	\$ 6,886.1	\$ 6,112.2	\$ 773.9	12.7 %

As the table shows, the LGIP experienced an increase in net assets of \$773.9 million in 2008. Total assets were higher and liabilities were lower compared to last year. Accordingly, the LGIP's Net Asset total is a function of several parameters, some of which are independent of the performance of the LGIP. The resulting change in net assets can best be explained simply by changes in deposits and withdrawals of the participants in the fund. Since the LGIP is a 100% voluntary investment option for local governments, participants may use the LGIP at their discretion. The percentage of total funds that individual participants have available for investment in the LGIP changes over time and can vary from near zero to 100%.

Table 2
Changes in Net Assets
(expressed in millions)

	2008	2007	Dollar Change	Percent Change
Contributions from Participants	\$ 15,913.8	\$ 13,138.8	\$ 2,775.0	21.1 %
Distributions to Participants	15,413.5	12,618.7	2,794.8	22.1
Net Investment Income	273.6	301.1	(27.5)	(9.1)
Change in Net Assets	\$ 773.9	\$ 821.2	\$ (47.3)	(5.8) %

Total Investment Income less administrative expenses ("Net Investment Income") was down 9.1 percent over the previous year. This decrease was due to the decrease in portfolio yield, as presented in Table 3. Contributions and distributions increased over the prior year. Due to the discretionary nature of the LGIP as an investment option, it is difficult to ascertain the reasons behind the changes in net assets, as discussed in the previous paragraph.

Table 3
Average Monthly Portfolio Yield (360-Day Basis)

	2004	2005	2006	2007	2008
LGIP Portfolio Yield	1.05%	2.13%	4.14%	5.21%	4.04%
iMoneyNet Inc.	0.61%	1.71%	3.68%	4.76%	3.25%
Targeted Fed Funds	1.00%	2.19%	4.18%	5.25%	3.74%

The Monthly Portfolio yield represents the percent return of LGIP investments based on the average invested balance for the month. Table 3 shows an average of the monthly portfolio yields for each of the last five fiscal years. The average monthly portfolio yields have shown a significant variation over the last five years. Those changes can be explained by the significant variation in the average level of the targeted Fed Funds rate during that time period. The targeted Fed Funds rate, which is the interest rate that banks charge each other for the use of funds, is set by the Federal Open Market Committee in an attempt to balance the competing forces of inflation and economic growth. Due to the short-term nature of the LGIP portfolio, and the types of investment that are utilized, the LGIP yields will closely follow the targeted Fed Funds rate.

The best measure of the LGIP's performance is not the change in the yield of the portfolio over time, but rather a comparison of the LGIP yield to the yield of its benchmark, iMoneyNet Inc., Government Only/Institutional Only Money Market Funds (formerly IBC Donoghue). This benchmark is comprised of privately managed money market funds similar in composition and guidelines to the LGIP. The LGIP net yield during Fiscal Year 2008 was 79 basis points higher than that of the benchmark. The LGIP continues to be a sound investment option for local governments, obtaining a competitive yield while preserving principal and liquidity.

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS

Investments, at amortized cost:

Repurchase Agreements	\$ 215,768,000
US Agency Securities	5,624,472,964
Total Investments Excluding Securities Lending	<u>5,840,240,964</u>

Securities Lending Investments, at amortized cost:

Repurchase Agreements	113,595,000
Total Investments (Settlement and Trade Date Basis)	<u>5,953,835,964</u>

Other Assets:

Interest Bearing Bank Deposits	381,109,741
Certificates of Deposit	646,350,000
Cash	105,503
Interest Receivable	18,654,854
Total Other Assets	<u>1,046,220,098</u>
Total Assets	<u>7,000,056,062</u>

LIABILITIES

Accrued Expenses	337,081
Obligations Under Securities Lending Agreements	113,595,000
Total Liabilities	<u>113,932,081</u>

NET ASSETS

Held in Trust for Pool Participants	<u><u>\$ 6,886,123,981</u></u>
-------------------------------------	--------------------------------

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

ADDITIONS

Contributions from Participants	\$ 15,913,825,002
Investment Income:	
Investment Earnings	277,537,978
Less: Expenses	<u>(3,330,024)</u>
Total Investment Income	274,207,954
Miscellaneous	<u>1,416</u>
Total Additions	<u>16,188,034,372</u>

DEDUCTIONS

Distributions to Participants	15,413,583,720
Administrative Expenses	<u>567,017</u>
Total Deductions	<u>15,414,150,737</u>

CHANGE IN NET ASSETS

773,883,635

Net Assets – Beginning of Year	<u>6,112,240,346</u>
Net Assets – End of Year	<u>\$ 6,886,123,981</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Local Government Investment Pool (LGIP) have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. The more significant of the LGIP's accounting policies are as follows:

Reporting Entity – The LGIP was created by Chapter 294, Laws of 1986 and began operations in July 1986. The LGIP is a short-term investment pool of the state of Washington, available to Washington State counties, cities, towns, municipal corporations, special-purpose taxing districts, community and technical colleges, four-year public institutions of higher education, the State Board for Community and Technical Colleges, and the State Finance Committee. Participation in the LGIP is voluntary.

The LGIP is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The assets and liabilities of the LGIP are included in the Comprehensive Annual Financial Report of the state of Washington. However, the accompanying financial statements present only the LGIP and are not intended to present fairly the financial position of the state of Washington and the results of its operations in conformity with GAAP.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Investment and Certificates of Deposit Activity – The OST adopted a formal investment policy for the LGIP in 1994. The policy is to invest in high-quality, short-term instruments. All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services, Inc. Investments are restricted to fixed rate securities that mature in 397 days or less, floating and variable rate securities that mature in 762 days or less, and the portfolio maintains a weighted average maturity of 90 days or less. The State Treasurer has the sole responsibility to set investment strategy for the LGIP.

Investments, other than certificates of deposits (CDs) are valued at amortized cost. CDs are valued at historical cost. Both valuation methods approximate fair value. Security transactions are reported on a trade date basis in accordance with GAAP. There were no pending transactions as of June 30, 2008.

Deductions and Penalties – An administrative deduction is assessed for the administration of the LGIP in accordance with WAC 210-01-120. The deduction is set so as to cover costs associated with the LGIP. The deduction is calculated at 0.035 percent of each participant's average daily balance of the funds in the LGIP and is reflected on the participant's monthly statement. The deduction is subtracted from the pool participant's earnings prior to the earnings posting to the account. The amount assessed for administration of the LGIP totaled \$2,402,545 for Fiscal Year 2008.

On a monthly basis, the LGIP determines the total dollar amount necessary to reimburse the state treasurer's office for actual expenses as provided in RCW 43.250.060. Administrative deductions collected in excess of these expenses are rebated to pool participants at the end of each fiscal year. The proportionate share of the rebate is based on the participant's average daily balance for the fiscal year. The rebate to participants of fees in excess of expenses totaled \$1,835,528 for Fiscal Year 2008.

The net administrative deduction for Fiscal Year 2008 was 0.008 percent of each participant's average daily balance of the funds in the LGIP.

Overdraft penalties due to failure to wire funds by a pool participant (after notification to the state treasurer of an intended transfer) are assessed to the pool participant responsible for the overdraft. Overdraft penalties collected (miscellaneous income) are allocated and distributed to participants on an annual basis, based on the participant's average daily balance for the fiscal year. Overdraft penalties totaled \$1,416 for Fiscal Year 2008. Combined with fees in excess of expenses, the total rebated to participants for Fiscal Year 2008 was \$1,836,944.

Participant Transactions – Participants can invest and withdraw their investments on a daily basis with a limit of one transaction per business day. The minimum transaction amount is five thousand dollars. There is no maximum transaction amount. For an investment or withdrawal of ten million dollars or more, a one-day notification prior to the transfer date is requested. An investment or withdrawal greater than one million dollars requires notification prior to 9 A.M. on the transfer date. An investment or withdrawal of one million dollars or less requires notification prior to 10 A.M. on the transfer date. All participants are required to file with the state treasurer a certified copy of an ordinance or resolution containing the names and titles of the officials authorized to invest or withdraw funds in the LGIP.

Distributions to local governments for state, federal, and local revenues electronically transferred utilizing the Treasury Management System can be directly invested in the LGIP. These investments are in addition to the one transaction per business day limit.

Income Distribution to Participants – Net investment income is allocated monthly to participants and is based on their average proportionate share of net assets in relation to the total net investment income of the LGIP for that month. Allocations are reinvested in the LGIP.

Service Providers – The state treasurer oversees the operations of the LGIP and provides portfolio management and record keeping services. The costs for these services, together with professional fees, custodian fees, and other operating costs, are accrued and charged to the LGIP as an expense on a monthly basis.

From October 1, 2000 through September 30, 2007, the Bank of New York provided securities lending services for the LGIP and served as securities custodian, maintaining custody of all LGIP-owned investments other than certificates of deposit and interest bearing bank deposits. Effective October 1, 2007, Union Bank of California replaced the Bank of New York to serve as the securities custodian and provide securities lending services for the LGIP.

Risk Management – The state of Washington continues to operate a risk management liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state’s policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state management believes it is more economical to manage its risks internally and set aside assets for claims settlement in an Internal Service Fund. A limited amount of commercial insurance is purchased for employee bonds and to limit the exposure to catastrophic losses. Otherwise, the risk management liability program services all claims against the state for injuries and property damage to third parties. The OST participates in the risk management liability program.

Securities Lending – The LGIP reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported as assets if the LGIP has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of the net assets. Securities lending transactions collateralized by securities that the LGIP does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

2a-7 Like Pool – The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. As such, investments are reported at amortized cost.

NOTE 2 – INVESTMENTS AND DEPOSITS

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The portfolio is managed in a manner consistent with the Securities and Exchange Commission’s Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds. Much of the Rule 2a-7 investment guidelines are directed towards limiting interest rate risk, in order to maintain a stable net asset value. For example, the LGIP’s policy places a 90 day maximum on the weighted average maturity. Further, the maximum maturity of any security will not exceed 397 days, except for securities utilized in repurchase agreements and US Agency floating or variable rate notes may have a maximum maturity of 762 days, provided that they have reset dates within one year and which on any reset date can reasonably be expected to have a market value that approximates its amortized cost. As of June 30, 2008, the LGIP had a weighted average maturity of 39 days.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker’s acceptances, commercial paper, certificates of deposit, or obligations of the state of Washington or its political subdivisions. Banker’s acceptances and commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. The LGIP currently does not have any banker’s acceptances or commercial paper in its portfolio. All securities utilized in repurchase agreements are rated AAA.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of the counter party, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office are to be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST’s exposure to risk and insure the safety of the investment. All

securities utilized in repurchase agreements were rated AAA. The market value of securities utilized in repurchase agreements must be at least 102% of the value of the repurchase agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The OST mitigates concentration of credit risk by limiting the percentage of the portfolio invested with any one issuer. With the exception of US Treasury and US Agency obligations, the OST mitigates concentration of credit risk by limiting the purchase of securities of any one issuer to no more than five percent of the portfolio. US Agency obligations comprise 80.6% of the total portfolio, including Federal Home Loan Mortgage Corporation (25.0%), Federal Home Loan Bank (24.7%), Federal National Mortgage Association (18.4%), and Federal Farm Credit Bank (12.5%).

As of June 30, 2008, the LGIP had the following investments and maturities:

Investment Type	Book Value	Fair Value	Maturity	
			Less than 1 year	1-5 years
U.S. Agency Obligations	\$5,513,535,689	\$5,513,535,689	\$4,488,755,046	\$1,024,780,643
U.S. Agency Obligations – On Loan	110,937,275	110,937,275	110,937,275	
Repurchase Agreements	329,363,000	329,363,000	329,363,000	
Interest Bearing Bank Deposits	381,109,741	381,109,741	381,109,741	
Certificates of Deposit	646,350,000	646,350,000	646,350,000	
Total	\$6,981,295,705	\$6,981,295,705	\$5,956,515,062	\$1,024,780,643

Securities Lending – State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP, which has contracted with a lending agent to lend securities in the LGIP, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. The cash is invested by the lending agent in repurchase agreements or money market instruments, in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP’s custodian. On June 30, 2008, the average life of both the loans and the investment of cash received as collateral was one day.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During Fiscal Year 2008, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, the contract with the lending agent requires them to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the LGIP for income distribution by the securities’ issuers while the securities are on loan. The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30% of the total portfolio. There were no violations of legal or contractual provisions nor any losses resulting from a default of a borrower or lending agent during the year.

Repurchase Agreements – The market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The market value, plus accrued income, of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement. The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized Mortgage Obligations (CMO) utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

Reverse Repurchase Agreements – State law also permits the LGIP to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. On June 30, 2008, there were no obligations under reverse repurchase agreements.

Derivatives – A derivative is a futures, forward, swap, or option contract, or other financial instrument with similar characteristics. The LGIP did not own, buy, or sell derivatives during the fiscal year.

Deposits – All LGIP's deposits are either insured or collateralized. The LGIP's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Collateral protection is provided by the Washington Public Deposit Protection Commission (PDPC). The PDPC, created by the Legislature per Title 39.58 of the Revised Code of Washington, constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

NOTE 3 – SUMMARY OF ACTIVITY

A summary of LGIP activity, including reporting required by RCW 43.250.080, is as follows:

	<u>FY 2008</u>
Total Investment Purchases	\$ 168,887,089,769
Total Sales	\$ 4,980,446,284
Total Maturities	\$ 163,356,283,446
Total Net Investment Income	\$ 273,642,353
Administrative Expenses	\$ 567,017
Portfolio Yield (360-Day Basis)	4.00 percent
Average Weighted Maturity	39 days
Pool Participant Contributions	\$ 15,913,825,002
Pool Participant Distributions	\$ 15,413,583,720

NOTE 4 – RELATED PARTY TRANSACTIONS

Pursuant to Chapter 43.250 RCW, certain funds of the State of Washington’s public colleges, universities and agencies may be invested in the LGIP. Activity and balances for these funds in Fiscal Year 2008 were as follows:

Change in Net Assets	
Income Distributed and Deposited to Participant Accounts, Net of Administrative Deductions of \$91,252	\$ 10,436,217
Contributions from Participants	1,018,262,188
Distributions to Participants	<u>(1,063,909,047)</u>
Total Change in Net Assets	(35,210,642)
Net Assets – Beginning of Year	<u>303,004,101</u>
Net Assets – End of Year	<u><u>\$ 267,793,459</u></u>

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2008

(expressed in thousands)

REPURCHASE AGREEMENTS

(3.1% of Total Portfolio)

Principal	Dealer	Date of Maturity	Yield Percentage	Description of Collateral	Amortized Cost
\$ 215,768	BNP Paribas	7/1/2008	2.3000	U.S. Mortgage-Backed Securities	\$ 215,768
<u>\$ 215,768</u> (Continued)		Total Repurchase Agreements			<u>\$ 215,768</u>

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2008

(expressed in thousands)

U.S. AGENCY SECURITIES

(80.6% of Total Portfolio)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
U. S. Agency Coupons				
\$ 20,000	Federal National Mortgage Assoc.	7/15/2008	5.3210	\$ 19,989
28,400	Federal Home Loan Bank	7/15/2008	4.9975	28,375
25,000	Federal Home Loan Bank	7/16/2008	4.3198	25,007
50,000	Federal Home Loan Bank	8/14/2008	2.3039	50,174
19,115	Federal Home Loan Bank	8/22/2008	4.7700	19,091
40,000	Federal Home Loan Bank	8/22/2008	4.1390	39,985
25,000	Federal National Mortgage Assoc.	9/2/2008	4.7676	25,015
50,000	Federal National Mortgage Assoc.	9/15/2008	4.1620	50,084
25,000	Federal Home Loan Bank	9/19/2008	4.7950	25,016
50,000	Federal Home Loan Mortgage Corp.	10/15/2008	2.7346	50,340
50,000	Federal Home Loan Bank	11/14/2008	2.5423	50,198
25,000	Federal Home Loan Mortgage Corp.	1/12/2009	1.9329	25,434
25,000	Federal National Mortgage Assoc.	1/15/2009	2.4825	25,368
29,350	Federal National Mortgage Assoc.	2/15/2009	2.5626	29,474
25,000	Federal Home Loan Mortgage Corp.	2/17/2009	2.5278	25,363
50,000	Federal Home Loan Bank	3/18/2009	2.4050	50,000
24,355	Federal National Mortgage Assoc.	7/13/2009	3.1012	24,852
<hr/>				<hr/>
\$ 561,220	Total U.S. Agency Coupons			\$ 563,765
(Continued)				

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
U. S. Agency Variable Rate Notes				
\$ 50,000	Federal Home Loan Bank	12/1/2008	2.4719	\$ 49,996
50,000	Federal Home Loan Bank	8/21/2009	2.4110	50,000
50,000	Federal Home Loan Mortgage Corp.	9/21/2009	2.4613	50,000
<hr/>				<hr/>
\$ 150,000	Total U.S. Agency Variable Rate Notes			\$ 149,996
(Continued)				

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2008

(expressed in thousands)

U.S. AGENCY SECURITIES (Continued)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
U. S. Agency Floating Rate Notes				
\$ 100,000	Federal Home Loan Bank	10/17/2008	2.0350	\$ 100,000
50,000	Federal Home Loan Bank	11/26/2008	2.1198	49,999
100,000	Federal Home Loan Bank	12/3/2008	2.1100	100,000
50,000	Federal Home Loan Bank	12/12/2008	2.1600	50,000
50,000	Federal Farm Credit Bank	2/24/2009	2.0048	49,998
70,000	Federal Farm Credit Bank	2/24/2009	2.0203	69,991
100,000	Federal Home Loan Bank	3/4/2009	2.0300	100,000
50,000	Federal Home Loan Bank	3/6/2009	2.2100	50,000
50,000	Federal Home Loan Bank	3/20/2009	2.1700	50,000
50,000	Federal Home Loan Bank	4/3/2009	2.2000	50,000
100,000	Federal Farm Credit Bank	4/30/2009	2.0500	99,983
50,000	Federal Farm Credit Bank	5/27/2009	2.0600	50,000
100,000	Federal Home Loan Bank	8/5/2009	2.0797	99,989
100,000	Federal Home Loan Bank	8/7/2009	2.1498	99,978
50,000	Federal National Mortgage Assoc.	9/3/2009	2.1600	50,000
100,000	Federal Farm Credit Bank	9/15/2009	2.0497	99,994
50,000	Federal Farm Credit Bank	10/30/2009	2.0399	49,993
50,000	Federal National Mortgage Assoc.	12/29/2009	2.3200	50,000
50,000	Federal Farm Credit Bank	3/3/2010	2.0900	50,000
50,000	Federal Farm Credit Bank	3/4/2010	2.1000	50,000
50,000	Federal Farm Credit Bank	3/4/2010	2.1000	50,000
50,000	Federal Farm Credit Bank	3/5/2010	2.2300	50,000
50,000	Federal Farm Credit Bank	3/8/2010	2.2200	50,000
50,000	Federal Farm Credit Bank	3/12/2010	2.1100	50,000
50,000	Federal Farm Credit Bank	3/12/2010	2.1100	50,000
100,000	Federal Farm Credit Bank	3/12/2010	2.1250	99,974
<u>\$ 1,720,000</u>	Total U.S. Agency Floating Rate Notes			<u>\$ 1,719,899</u>

(Continued)

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2008

(expressed in thousands)

U.S. AGENCY SECURITIES (Continued)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
U. S. Agency Discount Notes				
\$ 25,000	Federal National Mortgage Assoc.	7/2/2008	4.1179	\$ 24,997
100,000	Federal National Mortgage Assoc.	7/2/2008	2.1975	99,994
50,000	Federal National Mortgage Assoc.	7/2/2008	2.1975	49,997
91,808	Federal Home Loan Bank	7/11/2008	2.1046	91,756
100,000	Federal Home Loan Mortgage Corp.	7/14/2008	2.1049	99,926
100,000	Federal Home Loan Mortgage Corp.	7/14/2008	2.1048	99,926
100,000	Federal Home Loan Mortgage Corp.	7/21/2008	2.1249	99,884
50,000	Federal National Mortgage Assoc.	7/25/2008	3.9612	49,873
200,000	Federal Home Loan Mortgage Corp.	7/28/2008	2.1258	199,688
100,000	Federal Home Loan Mortgage Corp.	7/28/2008	2.1154	99,845
200,000	Federal National Mortgage Assoc.	7/30/2008	2.0538	199,676
200,000	Federal National Mortgage Assoc.	7/30/2008	2.0846	199,671
100,000	Federal National Mortgage Assoc.	7/30/2008	2.0332	99,840
100,000	Federal National Mortgage Assoc.	7/31/2008	2.1197	99,827
100,000	Federal Home Loan Mortgage Corp.	8/1/2008	2.1000	99,823
100,000	Federal Home Loan Mortgage Corp.	8/1/2008	2.1174	99,822
98,000	Federal Home Loan Mortgage Corp.	8/1/2008	2.1174	97,825
100,000	Federal Home Loan Bank	8/1/2008	2.0437	99,828
100,000	Federal Home Loan Bank	8/1/2008	2.0437	99,828
100,000	Federal Home Loan Mortgage Corp.	8/6/2008	2.0975	99,795
50,000	Federal Home Loan Bank	8/15/2008	2.1820	49,867
50,000	Federal Home Loan Mortgage Corp.	8/22/2008	2.1831	49,846
50,000	Federal Home Loan Mortgage Corp.	8/22/2008	2.1831	49,846
50,000	Federal Home Loan Mortgage Corp.	9/4/2008	2.0978	49,815
50,000	Federal Home Loan Mortgage Corp.	9/10/2008	2.1855	49,790
50,000	Federal Home Loan Mortgage Corp.	9/12/2008	2.1858	49,784
50,000	Federal National Mortgage Assoc.	9/17/2008	1.9089	49,798
50,000	Federal Home Loan Mortgage Corp.	9/22/2008	2.1734	49,756

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2008

(expressed in thousands)

U.S. AGENCY SECURITIES (Continued)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
U. S. Agency Discount Notes (Continued)				
\$ 50,000	Federal Home Loan Mortgage Corp.	9/22/2008	2.2021	\$ 49,752
50,000	Federal Home Loan Mortgage Corp.	9/22/2008	2.5062	49,718
50,000	Federal Home Loan Mortgage Corp.	9/22/2008	2.5062	49,718
50,000	Federal Home Loan Bank	9/24/2008	2.1474	49,753
50,000	Federal Home Loan Mortgage Corp.	9/26/2008	2.2027	49,740
50,000	Federal Home Loan Mortgage Corp.	9/29/2008	2.1989	49,732
100,000	Federal National Mortgage Assoc.	9/30/2008	2.2133	99,454
50,000	Federal Home Loan Bank	10/1/2008	2.2045	49,726
50,000	Federal Home Loan Bank	10/3/2008	2.1887	49,722
50,000	Federal Home Loan Bank	10/3/2008	2.1887	49,722
50,000	Federal Home Loan Mortgage Corp.	11/7/2008	2.1794	49,620
34,781	Federal National Mortgage Assoc.	12/3/2008	2.6319	34,398
50,000	Federal Home Loan Bank	12/10/2008	2.5844	49,435
<u>\$ 3,199,589</u>	Total U.S. Agency Discount Notes			<u>\$ 3,190,813</u>
(Continued)				
<u>\$ 5,630,809</u>	Total U.S. Agency Securities			<u>\$ 5,624,473</u>
(Continued)				

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2008

(expressed in thousands)

CERTIFICATES OF DEPOSIT

(9.2% of Total Portfolio)

Face Amount	Issuer	Date of Maturity	Yield Percentage	Historical Cost
\$ 50,000	U.S. Bank National Assn.	7/9/2008	2.8600	\$ 50,000
50,000	U.S. Bank National Assn.	7/21/2008	3.0100	50,000
50,000	Bank of America, N.A.	7/21/2008	2.7600	50,000
2,000	First Sound Bank	7/25/2008	3.2500	2,000
4,000	City Bank	7/25/2008	3.2500	4,000
10,000	Bank of Whitman	7/25/2008	2.6000	10,000
15,000	Bank of Whitman	7/25/2008	2.6000	15,000
5,000	Puget Sound Bank	7/25/2008	2.6000	5,000
10,000	City Bank	7/29/2008	4.5000	10,000
50,000	U.S. Bank National Assn.	8/13/2008	2.7600	50,000
20,000	Bank of America, N.A.	8/15/2008	2.8300	20,000
20,000	Bank of America, N.A.	8/18/2008	2.7300	20,000
5,850	Inland Northwest Bank	8/26/2008	3.1000	5,850
30,000	Heritage Bank	8/26/2008	3.1000	30,000
5,000	City Bank	8/26/2008	3.1000	5,000
20,000	Sterling Savings Bank	8/26/2008	2.8000	20,000
1,000	North County Bank	8/26/2008	2.5000	1,000
3,500	Westside Community Bank	8/26/2008	2.5000	3,500
15,000	Cascade Bank	8/26/2008	2.5000	15,000
1,000	Shoreline Bank	8/26/2008	2.5000	1,000
3,000	City Bank	8/26/2008	2.5000	3,000
2,000	RiverBank	8/26/2008	2.5000	2,000
1,000	Venture Bank	8/26/2008	2.5000	1,000
10,000	UniBank	8/26/2008	2.5000	10,000
20,000	Bank of America, N.A.	9/15/2008	2.6900	20,000
2,000	First Sound Bank	9/24/2008	2.4000	2,000
2,000	Shoreline Bank	9/24/2008	2.4000	2,000
3,000	Regal Financial Bank	9/24/2008	2.4000	3,000
25,000	Frontier Bank	9/24/2008	2.4000	25,000
6,000	Pierce Commercial Bank	9/24/2008	2.4000	6,000
6,000	Charter Bank	9/24/2008	2.4000	6,000
20,000	Banner Bank	9/24/2008	2.4000	20,000
3,000	EvergreenBank	9/24/2008	2.7500	3,000
15,000	City Bank	9/24/2008	2.7500	15,000
15,000	Cascade Bank	9/24/2008	2.7500	15,000

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2008

(expressed in thousands)

CERTIFICATES OF DEPOSIT (Continued)

Face Amount	Issuer	Date of Maturity	Yield Percentage	Historical Cost
\$ 5,000	First Sound Bank	9/24/2008	2.7500	\$ 5,000
50,000	Frontier Bank	9/24/2008	2.7500	50,000
5,000	Pacific International Bank	10/29/2008	4.7300	5,000
25,000	Frontier Bank	10/29/2008	4.6500	25,000
10,000	City Bank	10/29/2008	2.7500	10,000
5,000	Pierce Commercial Bank	10/29/2008	2.7500	5,000
1,000	Shoreline Bank	10/29/2008	2.7500	1,000
20,000	Bank of America, N.A.	11/14/2008	2.7800	20,000
15,000	City Bank	12/23/2008	4.5000	15,000
10,000	City Bank	3/26/2009	2.5000	10,000
\$ 646,350	Total Certificates of Deposit			\$ 646,350

(Continued)

INTEREST BEARING BANK DEPOSITS

(5.5% of Total Portfolio)

Face Amount	Issuer	Date of Maturity	Yield Percentage	Historical Cost
\$ 3,628	U.S. Bank National Assn.	7/1/2008	1.9700	\$ 3,628
21	Umpqua Bank	7/1/2008	2.0900	21
345,918	KeyBank Nat'l Association	7/1/2008	2.4506	345,918
31,543	Venture Bank	7/1/2008	2.0900	31,543
\$ 381,110	Total Interest Bearing Bank Deposits			\$ 381,110

(Continued)

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2008

(expressed in thousands)

SECURITIES LENDING INVESTMENTS

(1.6% of Total Portfolio)

Principal	Issuer	Date of Maturity	Yield Percentage	Description of Collateral	Amortized Cost
Repurchase Agreements					
\$ 92,820	BNP Paribas	7/01/08	2.4000	U.S. Mortgage-Backed Securities	\$ 92,820
<u>20,775</u>	HSBC Securities, Inc.	7/01/08	2.5500	U.S. Agency Securities	<u>20,775</u>
<u>\$ 113,595</u> (Continued)	Total Security Lending Investments				<u>\$ 113,595</u>
<u>\$6,987,632</u> (Concluded)	TOTAL INVESTMENTS & CERTIFICATES OF DEPOSIT				<u>\$6,981,296</u>



Investment Section



OVERVIEW

Administration

The pool was created by the Washington State Legislature in 1986 to provide a mechanism whereby political subdivisions, public colleges and universities, the State Board for Community and Technical Colleges, and the State Finance Committee may, at their option, invest temporary cash surpluses and take advantage of the volume and expertise of the state's investment program to earn a competitive rate of return while maintaining the security and liquidity of the funds they manage.

The pool is managed and operated solely by the Office of the State Treasurer. In 1995, the Local Government Investment Pool Advisory Committee was created by the state treasurer to advise the treasurer on the operation of the pool.

Eligible investments for the LGIP portfolio are defined by state statute. Further, investment activity for the LGIP is guided by an investment policy which is approved by the state treasurer and follows the standard of the prudent investor. The portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds.

Participants are offered 100% liquidity on a daily basis, provided notification is made within specified times. The expenses of operating the pool are covered through an administrative fee of 3.5 basis points charged to participants based on their average daily balance in the pool. Fees in excess of the expenses incurred for pool operation are rebated to participants. As of June 30, 2008 there were 446 LGIP participants, with total deposits of \$6.884 billion.

LGIP Performance

Because the LGIP is managed like a 2a-7 money market fund, and the administrative fees charged are low, i.e., 3.5 basis points, the net return of the LGIP closely follows the targeted federal funds rate. Accordingly, the net return on the LGIP during Fiscal Year 2008 ranged from 2.29 – 5.23 percent, reflecting a targeted federal funds rate that ranged from 5.25 – 2.00 percent during the fiscal year. The general management strategy in effect for much of the fiscal year was to maintain a slightly longer than neutral weighted average maturity in an attempt to lag the decline in fed funds as long as possible, while still ensuring adequate liquidity to LGIP participants.

Monthly statements are produced and distributed to participants, along with an enclosure containing various statistical information, e.g., historical yields and portfolio holdings by security type. A newsletter containing information regarding the LGIP and related investment topics is produced and distributed quarterly. This newsletter is also available online at <http://tre.wa.gov/LGIP/lgip.htm>. For internal monitoring purposes monthly reports are prepared which summarize the pool's activity and performance during the previous month.

The performance benchmark for the LGIP is the average net return of Government Only/Institutional Only Funds as reported in the [Money Market Insight](#), iMoneyNet, Inc., Westborough MA. This group of Rule 2a-7 money market funds, which have similar investment parameters as the LGIP, provides an excellent benchmark for monitoring the pool's performance. Both the net and gross returns of the benchmark are monitored and compared to the net and gross returns of the pool. The net return provides an appropriate measure for what pool participants would receive if their funds were invested in the average benchmark fund. The gross return is also used internally by the state treasurer to monitor the performance of the portfolio manager.

Investment Risk Profile

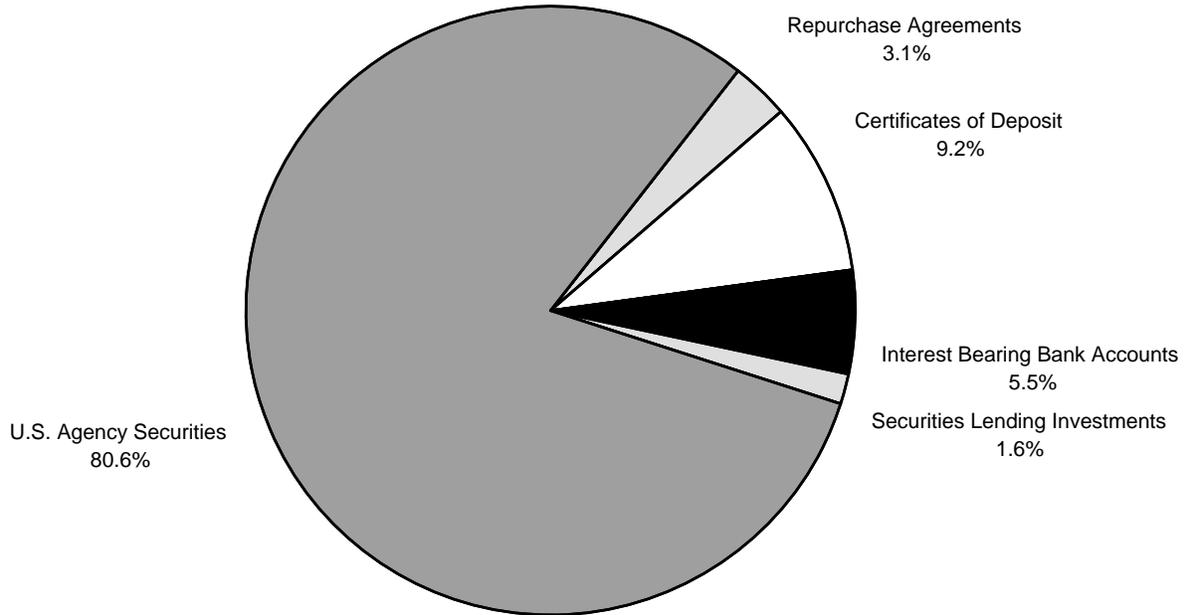
The Local Government Investment Pool is considered extremely low risk. As the pool is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, the portfolio holdings are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The pool's portfolio is made up of high-quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The pool also has a strong degree of asset diversification to minimize risk and maintain adequate rates of return.

The investment activity of the pool is guided by an investment policy, which sets forth the parameters within which the portfolio manager may operate. The policy, which was approved by the state treasurer and certified by the Association of Public Treasurers, is reviewed annually and updated as necessary. Compliance with the policy is monitored by the investment accounting division of the Office of the State Treasurer, which is separate and distinct from the investment division.

While the pool is managed diligently by professional and dedicated personnel to protect against losses from market and credit changes, the pool is not insured or guaranteed by any government. Therefore, the maintenance of principal is not fully assured.

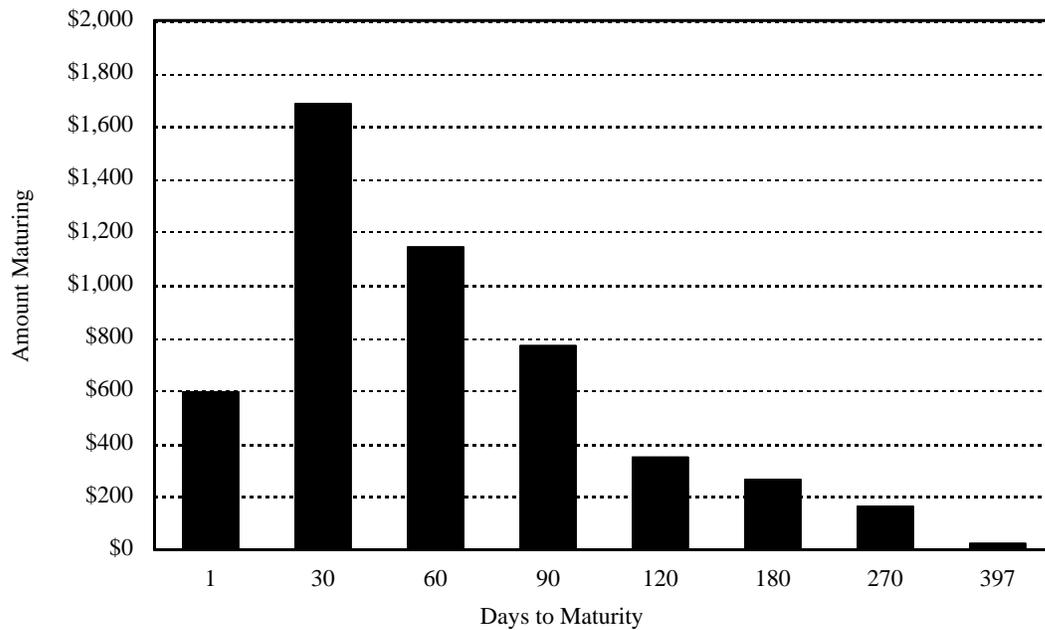
PORTFOLIO COMPOSITION

June 30, 2008
(Trade Date Basis)



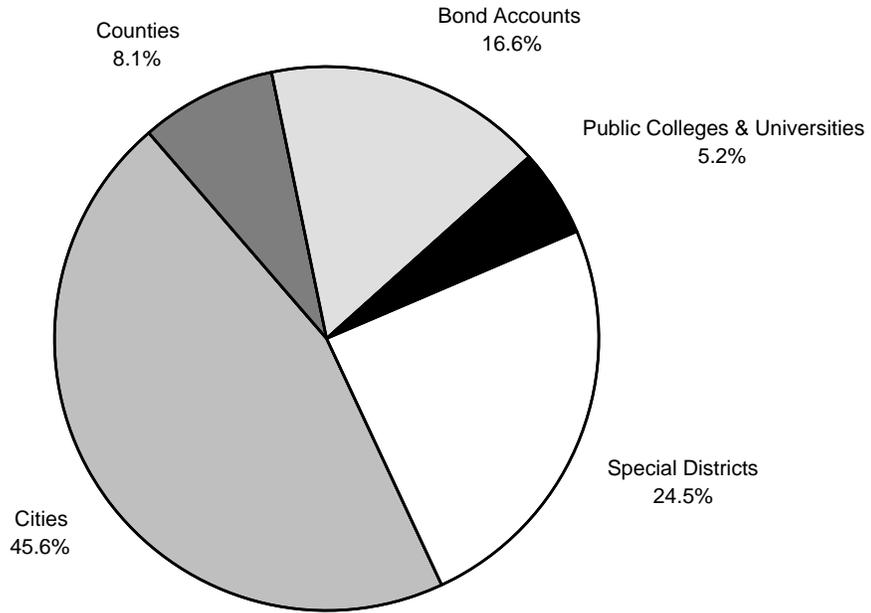
MATURITY STRUCTURE

June 30, 2008
(\$ in Millions)



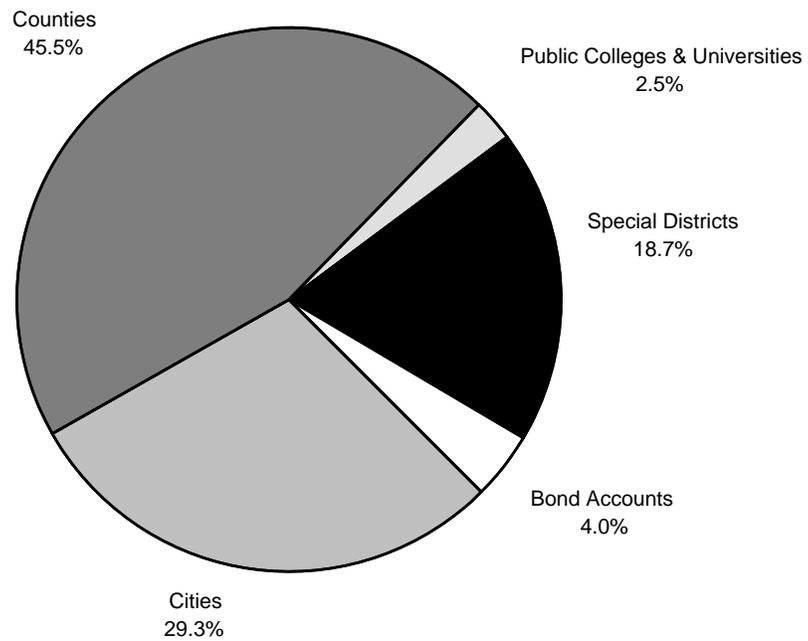
ACTIVE PARTICIPANTS IN POOL AS A PERCENT OF TOTAL PARTICIPATION

June 30, 2008



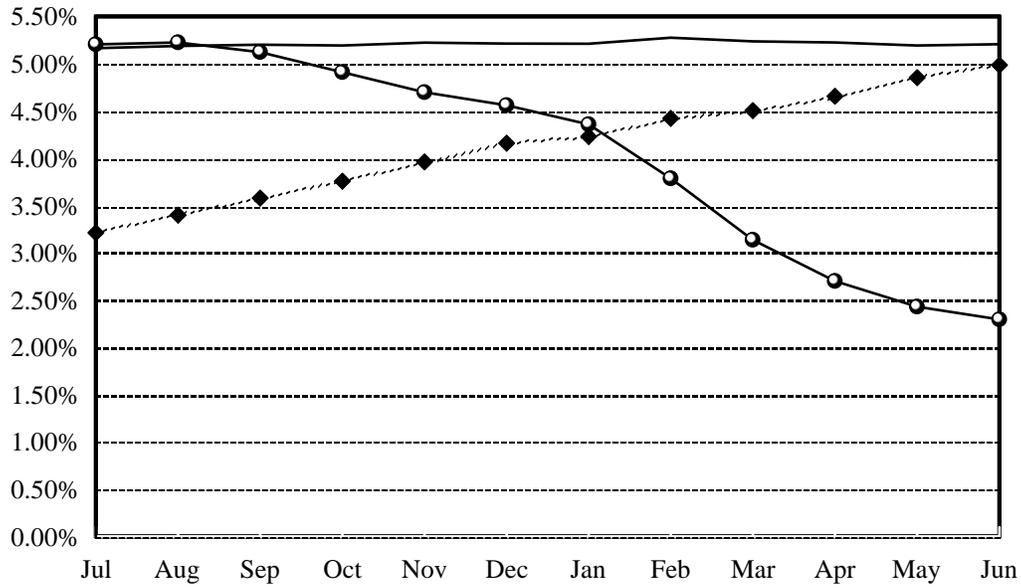
AMOUNTS IN POOL BY PARTICIPANTS

June 30, 2008

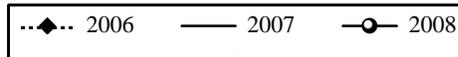


NET RATE OF RETURN *

Fiscal Years 2006 – 2008

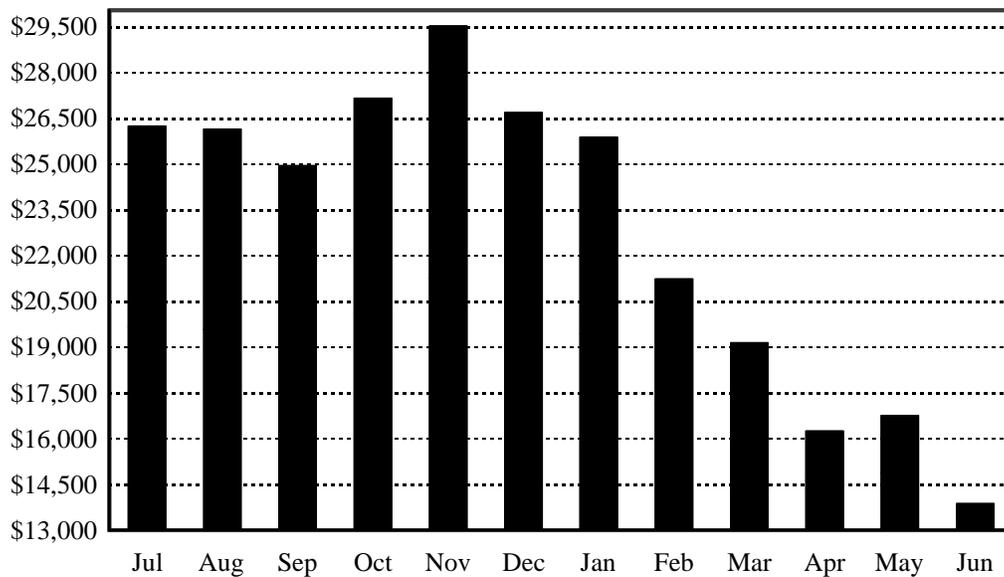


* Rates are calculated on a 360-day basis.

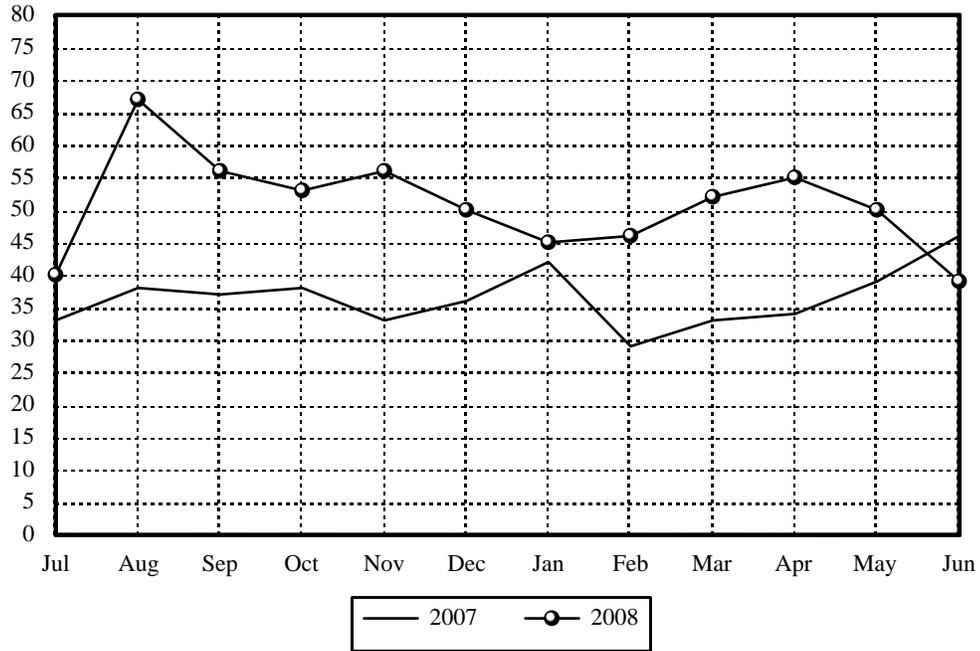


NET INVESTMENT INCOME

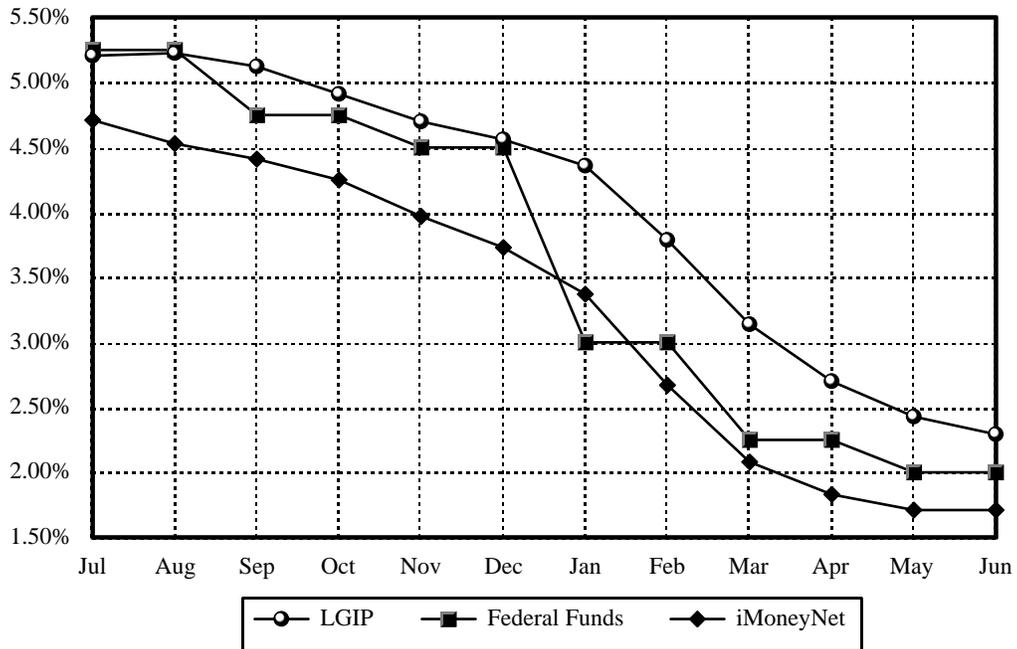
Fiscal Year 2008
(expressed in thousands)



AVERAGE DAYS TO MATURITY Fiscal Years 2007 and 2008



LGIP NET EARNINGS RATE Versus FEDERAL FUNDS and iMoneyNet, Inc. Fiscal Year 2008 (Calculated on a 360-Day Basis)



POSITION AND COMPLIANCE REPORT
(Settlement Date Basis)

June 30, 2008
(expressed in thousands)

Investments & Certificates of Deposit by Security Type

Portfolio Holdings	Cost	Percentage of Portfolio
Repurchase Agreements	\$ 215,768	3.14%
U.S. Agency Discount Notes	3,190,813	46.46%
U.S. Agency Bullets	563,765	8.21%
U.S. Agency Floating Rate Notes	1,719,899	25.04%
U.S. Agency Variable Rate Notes	149,996	2.19%
Certificates of Deposit	646,350	9.41%
Interest Bearing Bank Deposits	381,110	5.55%
Total	\$ 6,867,701	100%
Securities Lending Holdings		
Repurchase Agreements	\$ 113,595	
Total	\$ 113,595	
Total Investments & Certificates of Deposit	\$ 6,981,296	

POSITION AND COMPLIANCE REPORT

(Settlement Date Basis)

June 30, 2008

(expressed in thousands)

Policy Limitations

Limitations	Holdings	Percentage of Portfolio	Policy Limitations Percentage
Floating Rate and Variable Rate Notes	\$ 1,869,895	27.23%	30%
Variable Rate Notes > 397 Days	\$ 100,000	1.46%	10%
Other Structured Notes	.....	0.00%	10%
Term Repo > 30 days	.....	0.00%	30%
Certificate of Deposit	\$ 646,350	9.41%	10%
Bankers' Acceptances	.....	0.00%	20%
Commercial Paper	.....	0.00%	25%
Reverse Repo	.....	0.00%	30%
Security Lending + Reverse Repo	\$ 110,937	1.62%	30%

Maturity Limitations	Currently	Policy Limitations
Weighted Average Maturity	39 days	90 days
Maximum Maturity		
Bullet Maturities	378 days	397 days
Floating Rate and Variable Rate Notes	620 days	762 days
Repos	1 days	180 days
Reverse Repos	0 days	90 days

Repo Limits Per Dealer	June 30, 2008	Total Repo Percentage (20% limit)	Average D-T-M (30 day limit)
BNP Paribas	\$ 308,588	4%	1
HSBC Securities, Inc.	20,775	0%	1
Total	<u>\$ 329,363</u>		

SCHEDULE OF POOL PARTICIPANTS

June 30, 2008

Pool Participants	Balance
Adams County	
Adams County	\$ 42,769,263.73
Town of Lind	21,175.50
City of Othello	1,116,476.51
City of Ritzville	2,837,475.32
East Columbia Basin Irrigation District	1,952,679.61
Total Adams County	\$ 48,697,070.67
Asotin County	
Asotin County	\$ 15,451,700.51
City of Asotin	478,746.21
City of Clarkston	4,438,895.05
Asotin County PUD No. 1	1,257,623.44
Total Asotin County	\$ 21,626,965.21
Benton County	
Benton County	\$ 22,717,395.81
City of Benton City	1,172,330.18
City of Kennewick	10,111,799.69
City of Prosser	9,011,279.62
City of Richland	34,761,744.13
City of Richland - Bond No. 1	248,941.78
City of Richland - Bond No. 2	3,351,061.14
City of Richland - Bond No. 3	14,296,822.71
City of Richland - Bond No. 8	1,789,340.56
City of Richland - Bond No. 9	280,309.42
City of Richland - Bond No. 10	3,294,272.21
City of Richland - Bond No. 12	126,383.88
City of Richland - Bond No. 13	36,504.51
City of West Richland	2,272,801.02
Ben Franklin Transit	33,569.96
Benton Conservation District	139,896.06
Benton County PUD No. 1	44,059,132.15
Kennewick Public Hospital District	9,157,657.88
Kennewick Public Hospital District - Bond No. 1	1,045,281.16
Kennewick Public Hospital District - Bond No. 2	3,646,818.74
Prosser Memorial Hospital	4,899,752.76
Prosser Memorial Hospital - Pro Share	1,594,382.82
Richland Housing Authority	4,515.62
Total Benton County	\$ 168,051,993.81

Pool Participants	Balance
Chelan County	
Chelan County	\$ 38,667,880.56
City of Chelan	818,473.18
City of Entiat	0.01
City of Leavenworth	24,235.21
City of Wenatchee	16,552,328.94
Chelan County PUD No. 1	253,062.32
Lake Chelan Airport	7,494.14
Lake Chelan Reclamation Dist	2,457,127.77
Lake Chelan Reclamation District - Willow Lid	49,152.45
Wenatchee PFD	588,242.22
Wenatchee Valley College	1,520,041.28
Total Chelan County	\$ 60,938,038.08
Clallam County	
Clallam County	\$ 41,079,771.36
City of Forks	1,202,433.78
City of Port Angeles	3,645,394.64
City of Sequim	4,156,708.63
Clallam County Hospital District No. 2	4,080,985.84
Clallam County Hospital District No. 2 - Pro Share	44.59
Clallam Transit System	558,132.62
Peninsula College	1,859,816.88
Port of Port Angeles	3,473,096.24
Total Clallam County	\$ 60,056,384.58
Clark County	
Clark County	\$ 159,386,008.56
City of Battle Ground	19,039,340.53
City of Camas	6,571,088.63
City of Camas - Bond No. 1	586,378.89
City of Camas - Water & Sewer	1,347,072.45
City of La Center	1,571,007.39
City of Ridgefield	644,839.36
City of Vancouver	38,221,982.55
City of Washougal	12,749,206.66
Clark College	8,889,733.16
Clark County PTBA	44,630,389.74
Clark Public Utilities	47,322,724.34
Clark Regional Wastewater District	39,719,400.67
CPU - Operation Warm Heart Fund	673,694.60
Port of Vancouver	48,184,084.56
Total Clark County	\$ 429,536,952.09

Pool Participants	Balance
Columbia County	
Columbia County	\$ 1,325,715.42
Total Columbia County	\$ 1,325,715.42
Cowlitz County	
Cowlitz County	\$ 63,211,574.12
City of Kalama	2,994,782.83
City of Kelso	10,308,515.90
City of Longview	29,890,435.55
City of Woodland	388,143.85
Kelso Housing Authority	549,068.65
Longview Housing Authority	6,326.18
Total Cowlitz County	\$ 107,348,847.08
Douglas County	
Douglas County	\$ 45,018,023.39
City of Bridgeport	450,662.04
City of East Wenatchee	737,927.47
Town of Mansfield	318,944.70
Foster Creek Conservation District	8,949.40
Total Douglas County	\$ 46,534,507.00
Ferry County	
Ferry County	\$ 10,567,909.17
City of Republic	440,413.54
Ferry County PUD	783,298.30
Total Ferry County	\$ 11,791,621.01
Franklin County	
Franklin County	\$ 67,208,103.37
Franklin County - Bond No. 1	32,640,011.81
Franklin County - Pasco School Dist. Bond No. 1	4.41
City of Connell	4,737,651.33
City of Mesa	240,214.74
City of Pasco	9,269,942.34
Franklin Conservation District	627,255.69
Franklin County PUD	32,758,706.80
Housing Authority c/o Pasco and Franklin County	860,925.33
South Columbia Basin Irrigation District	803,178.71
Total Franklin County	\$ 149,145,994.53

Pool Participants	Balance
Garfield County	
Garfield County	\$ 8,024,870.34
Total Garfield County	\$ 8,024,870.34
Grant County	
Grant County	\$ 2,857,793.58
Town of Coulee City	667,703.11
City of Ephrata	2,431,028.29
City of George	1,188,152.56
City of Grand Coulee	1,985,979.85
Town of Mattawa	2,974,764.58
City of Moses Lake	9,213,119.42
City of Quincy	12,027,778.92
City of Royal City	346,074.19
City of Soap Lake	578,483.35
City of Warden	5,498,549.22
Big Bend Community College	4,596,495.15
Cities Insurance Association of Washington	30,080.83
Eastern Washington School District Insurance Group	35,965.96
Grant County Public Hospital District	19,823,997.79
Quincy Columbia Basin Irrigation District	1,363,261.43
Total Grant County	\$ 65,619,228.23
Grays Harbor County	
Grays Harbor County	\$ 56,182,757.91
City of Aberdeen	5,492,803.49
City of Cosmopolis	1,031,336.67
City of Elma	3,476,619.68
City of Hoquiam	4,124,207.21
City of McCleary	901,332.01
City of Montesano	802,778.95
City of Oakville	65,219.94
City of Ocean Shores	27,965,514.18
City of Westport	1,200,789.80
Grays Harbor County PUD	2,260,636.78
Grays Harbor County PUD - NoaNet Liability	3,106,233.55
Grays Harbor Public Development Authority	1,850,438.96
Port of Grays Harbor	10,429,171.52
Total Grays Harbor County	\$ 118,889,840.65
Island County	
Island County	\$ 92,500,626.87
Town of Coupeville	3,456,626.62

Pool Participants	Balance
Island County (continued)	
City of Langley	1,071,841.07
City of Oak Harbor	23,519,056.19
Total Island County	\$ 120,548,150.75
Jefferson County	
Jefferson County	\$ 38,026,823.69
City of Port Townsend	9,635,706.07
Total Jefferson County	\$ 47,662,529.76
King County	
King County	\$ 360,100,658.44
City of Algona	7,069,963.03
City of Auburn	90,679,829.69
Town of Beaux Arts Village	347,628.01
City of Bellevue	3,955,786.60
City of Black Diamond	7,000,154.59
City of Bothell	65,861,431.99
City of Burien	17,208,083.27
City of Carnation	1,990,692.05
City of Clyde Hill	2,726,855.05
City of Covington	10,570,774.04
City of Covington - 2007 Bond Proceeds	4,700,590.75
City of Covington - Bond No. 1	305,317.96
City of Des Moines	8,391,734.69
City of Duvall	2,184,260.73
City of Enumclaw	6,545,975.61
City of Federal Way	61,649,076.00
Town of Hunts Point	2,047,132.42
City of Issaquah	43,575,458.57
City of Kenmore	392.06
City of Kent	89,374,046.44
City of Kirkland	35,651,906.07
City of Lake Forest Park	8,853,024.95
City of Maple Valley	13,902,113.14
City of Medina	6,597,763.82
City of Mercer Island	33,750,626.79
City of Mercer Island - Bond No. 2	292,067.53
City of Newcastle	4,513,043.55
City of Normandy Park	2,849,295.74
City of North Bend	159,202.11
City of Pacific	3,646,722.48
City of Redmond	24,300,492.44
City of Renton	7,554,225.93

Pool Participants	Balance
King County (continued)	
City of Sammamish	33,341,494.47
City of SeaTac	40,658,011.49
City of Shoreline	39,734,952.18
City of Snoqualmie	11,066,156.89
City of Tukwila	35,982,714.06
City of Woodinville	31,390,522.94
Town of Yarrow Point	1,935,263.86
Bellevue Community College	7,142,464.33
Bellevue Convention Center Authority	4,051,750.41
Black Diamond/Soos Creek Water and Sewer District	466,198.01
Capitol Hill Housing - Building Reserves	2,584,468.04
Capitol Hill Housing - Unrestricted	191.64
Cascadia Community College	3,552,552.70
Cultural Development Authority of King County	8,717,465.84
Eastside Public Safety	3,823,612.83
GHFB LLP	107,550.03
King Conservation District	10,233,904.86
King County Housing Authority	73,613,229.22
Lake Washington Technical College	3,730,260.06
NORCOM	913,505.05
Pike Place Market PDA	9,214,165.84
Pacific Hosp Preservation & Develop Authority	200,422.76
Renton Housing Authority	4,244,474.38
Renton Technical College	824,760.89
Seattle Chinatown - IDPDA	5.04
Seattle Community College District No. 6	13,122,773.93
Seattle Housing Authority	24,640,984.31
Seattle Housing Authority - High Rise Rehab Phase 3 Bridge Financing	8,139,827.63
Seattle Housing Authority-High Rise Rehab Phase 3 Capital Fund	8,128,439.09
Sound Transit	191,183,322.43
Sound Transit - Capital Replacement Fund	287,352.75
Sound Transit - Operating and Contingency Fund	27,541,806.74
Valley Communications Center	8,217,014.79
Valley Medical Center	23,214.42
Valley Regional Fire Authority	2,071,535.08
Washington Cities Insurance Authority	27,523,324.93
Water and Sewer Risk Management Pool	1,898,125.44
Total King County	\$1,568,664,145.90

Kitsap County

Kitsap County	\$ 57,528,214.50
City of Bainbridge Island	361,400.63
City of Bremerton	10,871,406.29

Pool Participants	Balance
Kitsap County (continued)	
City of Bremerton - 2002 Public Safety Bond	1,089,326.91
City of Bremerton - 2003 Parking Garage	440,812.12
City of Bremerton - Arterial Street SR3/304)	2,102,568.52
City of Port Orchard	6,129,686.23
City of Poulsbo	13,897,543.04
Bremerton Housing Authority	1,417,404.94
Kitsap County Housing Authority	1,965,781.57
Olympic College	6,302,790.68
Port of Bremerton	7,198,353.20
Total Kitsap County	\$ 109,305,288.63
Kittitas County	
Kittitas County	\$ 28,019,451.45
City of Ellensburg	5,348,607.87
Central Washington University	5,415,281.56
Central Washington University - Bond Construction	393,220.04
Kittitas Reclamation District	1,331,605.00
Kittitas Valley Community Hospital	60,464.48
Total Kittitas County	\$ 40,568,630.40
Klickitat County	
Klickitat County	\$ 87,606,915.53
City of Bingen	87,796.34
City of Goldendale	1,043,033.82
City of White Salmon	1,841,699.17
Central Klickitat Conservation District	4.17
East Klickitat Conservation District	2.64
Underwood Conservation District	95,731.93
Total Klickitat County	\$ 90,675,183.60
Lewis County	
Lewis County	\$ 59,094,119.06
City of Centralia	28,081,818.41
City of Chehalis	6,133,051.13
City of Morton	911,135.24
City of Mossyrock	189,366.69
City of Napavine	1,070,541.36
Town of Pe Ell	3,589.68
City of Toledo	428,316.03
City of Vader	20,554.99
City of Winlock	737,825.50

Pool Participants	Balance
Lewis County (continued)	
Centralia College	61,886.46
Noanet	11,723,849.20
Total Lewis County	\$ 108,456,053.75
Lincoln County	
Lincoln County	\$ 12,885,397.08
Town of Almira	221,905.43
Town of Creston	260,905.79
City of Davenport	1,584,380.61
Town of Lamont	80,501.18
Town of Odessa	233,715.92
Town of Reardan	104,754.14
City of Sprague	412,094.70
Town of Wilbur	573,341.77
Total Lincoln County	\$ 16,356,996.62
Mason County	
Mason County	\$ 83,410,739.19
Mason County PUD No. 3	4,926,187.41
Total Mason County	\$ 88,336,926.60
Okanogan County	
Okanogan County	\$ 1,671,903.31
City of Brewster	246,438.88
Town of Coulee Dam	2,760,415.39
Town of Nespelem	28,048.03
City of Okanogan	3,389,855.34
City of Omak	3,785,491.48
City of Pateros	23,344.43
Okanogan Conservation District	579.86
Okanogan County PUD	4,155,331.49
Okanogan County PUD - Bond No. 1	297,303.80
Okanogan County PUD - Bond No. 2	240,431.53
Oroville-Tonasket Irrigation District	936,406.19
Total Okanogan County	\$ 17,535,549.73
Pacific County	
Pacific County	\$ 36,133,891.90
City of Ilwaco	1,352,775.19
City of Long Beach	326.99
City of South Bend	1,514,251.72
Pacific County PUD No. 2	1,437,034.62

Pool Participants	Balance
Pacific County (continued)	
Pacific County PUD No. 2 - Bond No. 3	1,005,690.50
Pacific County PUD No. 2 - Bond No. 4	413,854.45
Pacific County PUD No. 2 - Bond No. 5	8,337,160.89
Pacific County PUD No. 2 - Bond No. 7	417,814.49
Total Pacific County	\$ 50,612,800.75
Pend Oreille County	
Pend Oreille County	\$ 18,373,361.73
City of Newport	2,275,925.36
Pend Oreille County Public Hospital District No. 1	1,674.82
Pend Oreille County Public Hospital District No. 1 - Pro Share	1,715,050.77
Pend Oreille County PUD No. 1	18,535,487.09
Total Pend Oreille County	\$ 40,901,499.77
Pierce County	
Pierce County	\$ 132,192,560.78
City of Bonney Lake	31,797,169.43
City of Bonney Lake - 2007 LTGO Justice Center	10,126,797.13
City of Buckley	2,403,490.78
City of Dupont	10,880,176.35
City of Edgewood	8,278,229.53
City of Fife	30,185,869.38
City of Fircrest	5,628,307.56
City of Gig Harbor	13,297,824.17
City of Lakewood	0.48
City of Milton	8,245,861.76
City of Orting	13,161,337.08
City of Puyallup	17,016,951.21
City of Roy	61,278.44
Town of Ruston	6,597,965.33
Town of Steilacoom	8,297,350.91
City of Sumner	14,977,058.15
City of Tacoma	11,072,416.98
City of University Place	4,588,727.22
Clover Park Technical College	3,048,568.94
Lakewood Water District	177,687.57
Pierce College	8,332,785.89
Pierce Transit	64,146,344.48
Pierce Transit - Bond No. 2	123,614.98
Port of Tacoma	94,229,138.24
Tacoma Community College	2,487,990.91
Tacoma Housing Authority	799,588.06
Total Pierce County	\$ 502,155,091.74

Pool Participants	Balance
San Juan County	
San Juan County	\$ 30,505,669.17
Town of Friday Harbor	11,851,046.61
Total San Juan County	\$ 42,356,715.78
Skagit County	
Skagit County	\$ 149,757,668.72
City of Anacortes	23,518,145.52
City of Anacortes - Bond No. 1	500,069.64
City of Anacortes - Bond No. 2	441,222.22
City of Burlington	14,056,541.73
Town of La Conner	1,524,747.07
City of Mount Vernon	11,371,408.90
City of Sedro Woolley	12,582,516.26
Skagit County PUD No. 1	17,840,301.15
Skagit Valley College	3,046,771.32
Total Skagit County	\$ 234,639,392.53
Skamania County	
Skamania County	\$ 793,852.67
City of North Bonneville	1,404,319.89
City of Stevenson	2,574,023.12
Total Skamania County	\$ 4,772,195.68
Snohomish County	
Snohomish County	\$ 845,179,742.68
City of Arlington	21,021,844.77
City of Arlington - 2004 LTGO	507,060.50
City of Arlington - 2007 LTGO	528,555.77
City of Brier	5,509,992.04
City of Edmonds	669,802.58
City of Everett	14,959,045.64
City of Gold Bar	145,978.45
City of Granite Falls	3,222,599.86
Town of Index	85,405.05
City of Lake Stevens	6,907,181.65
City of Lynnwood	6,271,845.04
City of Lynnwood - Utility System Improv Bonds 2008	4,723,706.19
City of Marysville	7,456,118.75
City of Marysville - Bond No. 1	23,875,095.22
City of Mill Creek	7,827,470.17
City of Monroe	16,605,260.98
City of Mountlake Terrace	1,924,165.72
City of Mukilteo	28,542,932.94

Pool Participants	Balance
Snohomish County (continued)	
Town of Skykomish	332,269.06
City of Snohomish	12,526,795.74
City of Stanwood	7,999,052.81
City of Sultan	2,415,315.54
City of Woodway	616,524.64
Alderwood Water District	114,833,694.83
Clearview Water Supply Agency	187,872.43
Community Transit	101,709,261.35
Community Transit - Bond Account	1,402,921.92
Cross Valley Water District	571,882.39
Edmonds Public Facilities District	100,933.28
Everett Housing Authority	6,934,221.38
Everett Public Facilities District	2,065,546.65
Everett Public Facilities District - Everett Events Center Event Account	456,718.68
Everett Public Facilities District - Tax & Rev Bonds 2007 Series A	1,833,569.89
Everett Public Facilities District - Tax & Rev Bonds 2007 Series B	500,215.09
Lake Whatcom Water and Sewer District	789,959.05
Lynnwood PFD	2,393,699.37
Port of Edmonds	24,293.83
Port of Everett	18,249,425.76
Port of Everett - Bond No. 2	39,244.66
Snohomish Conservation District	29,758.43
Snohomish County Housing Authority	12,189,023.82
Snohomish County Public Hospital	8,775,407.26
Snohomish County PUD No.1	3,427,023.70
Valley General Hospital	3,932,063.44
Total Snohomish County	\$1,300,300,499.00
Spokane County	
Spokane County	\$ 300,161,355.18
City of Airway Heights	6,658,469.85
City of Airway Heights - Construction Bond	319.77
City of Airway Heights - Reserve Bond	136,645.21
City of Cheney	8,599,430.89
City of Deer Park	5,234,826.76
City of Liberty Lake	6,456,623.11
City of Medical Lake	3,696,527.92
Town of Spangle	36,316.83
City of Spokane	11,321,992.44
City of Spokane Valley	43,625,058.06
Town of Waverly	4.28
Community Colleges of Spokane	5,050,558.90
Eastern Washington University	27,324,139.65
Spokane County Water District No. 3	1,713,838.04

Pool Participants	Balance
Spokane County (continued)	
Spokane Housing Authority	1,070,247.59
Vera Irrigation District	4,954,717.47
Vera Irrigation District - 2007 Bond Sale Proceeds	817,861.71
Whitworth Water District No. 2	4,510,534.58
Total Spokane County	\$ 431,369,468.24
Stevens County	
Stevens County	\$ 23,052,780.63
City of Chewelah	1,819,635.92
City of Colville	10,408,792.22
City of Kettle Falls	29,583.79
Town of Marcus	201,928.67
Stevens County Conservation District	83,584.17
Stevens County PUD No. 1	2,000,442.47
Total Stevens County	\$ 37,596,747.87
Thurston County	
Thurston County	\$ 18,187,146.71
Town of Bucoda	431,740.28
City of Lacey	29,116,562.59
City of Olympia	74,812,714.90
Town of Rainier	573,041.37
City of Tenino	1,353,445.89
City of Tumwater	18,547,243.16
City of Yelm	8,532,899.22
Association of Washington Cities Risk Management Service Agency	9,217,822.98
State Board For Community & Technical Colleges	3,933,341.72
State Finance Committee - State -SFC - Account No. 4	5,590,795.30
State Finance Committee - State -SFC - Account No. 5	21.72
State Finance Committee - State -SFC - Account No. 6	0.05
State Finance Committee - State -SFC - Account No. 9	5,059.72
State Finance Committee - State -SFC - Account No. 12	106,052.82
State Finance Committee - State -SFC - Account No. 17	1,626.61
State Finance Committee - State -SFC - Account No. 25	691,356.70
State Finance Committee - State -SFC - Account No. 28	134,756.77
State Finance Committee - State -SFC - Account No. 29	1,416,460.54
State Finance Committee - State -SFC - Account No. 30	45,162,017.98
State Finance Committee - State - SFC - Local Account No. 1	2,306,406.68
State Finance Committee - State - SFC - Local Account No. 2	883,447.53
State Finance Committee - State - SFC - Local Account No. 3	6,587,310.74
State Finance Committee - State - SFC - Local Account No. 4	56,289.21
State Finance Committee - State - SFC - Local Account No. 5	7,695.01
State Finance Committee - State - SFC - Local Account No. 6	7,488,293.28

Pool Participants	Balance
Thurston County (continued)	
State Finance Committee - State - SFC - Local Account No. 7	346,439.86
State Finance Committee - State - SFC - Local Account No. 8	51,283.74
State Finance Committee - State - SFC - Local Account No. 9	1,502,388.81
State Finance Committee - State - SFC - Local Account No. 10	62,214.51
State Finance Committee - State - SFC - Local Account No. 11	1,730,182.00
State Finance Committee - State - SFC - Local Account No. 12	45.31
The Evergreen State College	17,691,175.92
The Evergreen State College - TESC Deferred Liability	131,104.92
The Evergreen State College - TESC Housing Bond Proceeds	1,616,032.63
Thurston County Conservation District	555.20
Washington Community & Technical College Payroll Account	4,913,009.64
Washington Counties Insurance Fund	857,388.17
Wa Counties Insurance Pool	508,767.02
Washington Counties Risk Pool	17,856,885.20
Washington Fire Commissioners Association	7,686,989.10
Washington State Transit Insurance Pool	4,018,828.95
Washington State Water Resources Association	304,204.78
Total Thurston County	\$ 294,421,045.24
Wahkiakum County	
Wahkiakum County	\$ 12,581,382.93
Town of Cathlamet	1,457,777.64
Total Wahkiakum County	\$ 14,039,160.57
Walla Walla County	
Walla Walla County	\$ 501,455.02
Walla Walla County - Bond Account	2,905,544.46
City of College Place	1,249,226.02
City of Prescott	167,204.49
City of Walla Walla	28,525,361.46
Walla Walla Housing Authority	249,087.68
Total Walla Walla County	\$ 33,597,879.13
Whatcom County	
Whatcom County	\$ 7,865,746.47
City of Bellingham	34,417,700.07
City of Blaine	5,510,966.37
City of Ferndale	2,425,279.11
City of Lynden	14,466,968.39
Birch Bay Water & Sewer District	3,086,606.47
Port of Bellingham	6,949,633.40

Pool Participants	Balance
Whatcom County (continued)	
Western Washington University	16,117,390.22
Whatcom Community College	13,902,512.66
Total Whatcom County	\$ 104,742,803.16
Whitman County	
Whitman County	\$ 30,901,713.76
Town of Albion	365,072.59
City of Colfax	1,311,523.22
Town of Colton	45,365.97
City of Palouse	1,022,185.90
City of Pullman	14,305,738.02
City of Pullman - Pullman-Moscow Airport	7.67
Town of Rosalia	195,388.01
Town of Uniontown	238,600.76
Washington State University - Martin Stadium Reserve	1,684,824.39
Washington State University - SBC Reserve	6,362,004.28
Washington State University - WSU Operating Fund	15,905,010.67
Total Whitman County	\$ 72,337,435.24
Yakima County	
Yakima County	\$ 132,284,876.28
City of Grandview	3,330,272.86
Town of Granger	1,107,329.24
City of Mabton	868,858.64
Town of Naches	1,032,751.96
City of Selah	1,722,331.87
City of Sunnyside	5,787,412.23
Town of Tieton	282,294.71
City of Toppenish	6,606,659.30
City of Union Gap	6,433,932.65
City of Wapato	3,342,675.03
City of Yakima	28,676,832.04
City of Yakima - 2005 Parks LTGO's	415,009.60
City of Yakima - 2008 Water and Sewer Revenue Acct	5,510,812.86
City of Yakima - 2007 LTGO's	1,584,597.04
City of Yakima - Irrigation Bond	876,414.42
City of Zillah	2,864,698.04
Roza Irrigation District	5,193,200.53
Sunnyside Valley Irrigation District	1,761.94
Washington State Tree Fruit Research Commission	157.97
Yakima International Airport - McAllister Field	728,792.78

Pool Participants	Balance
Yakima County (continued)	
Yakima Valley Community College	4,704,014.68
Yakima-Tieton Irrigation District	<u>1,385,840.54</u>
Total Yakima County	<u>\$ 214,741,527.21</u>
Pool Total	<u>\$6,884,281,746.35</u>
Participants' Average Investment Balance for the Year	<u>\$6,752,625,959.46</u>
Administrative Expense Ratio*	.008%

* Denotes administrative expenses as a percentage of the participants' average daily investments.

INVESTMENT POLICY

I. Delegation of Authority

The State Treasurer is an executive officer of the state, as established by the Constitution of the State of Washington (Article III, Section 1), and “will perform such duties as will be prescribed by law” (Article III, Section 19).

As prescribed by the Revised Code of Washington (RCW), “The legislature finds and declares that the public interest is found in providing maximum prudent investment of surplus funds, thereby reducing the need for additional taxation. The legislature also recognizes that not all political subdivisions are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby political subdivisions may, at their option, utilize the resources of the Office of the State Treasurer (OST) to maximize the potential surplus funds while ensuring the safety of public funds” (RCW 43.250.010).

To “ensure effective cash management of public funds,” (RCW 43.08.015) the State Treasurer may designate investment officers who will have the authority to perform the duties of the state treasurer, and will maintain a current list (available upon request) of those individuals so authorized.

II. Identification of Funds

This policy applies to all public funds on deposit with the Local Government Investment Pool (LGIP) as defined by RCW 43.250.020.

III. Objectives

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk.

The objectives of the State Treasurer’s investment practices for the LGIP, in priority order, will be: safety, liquidity, and return on investment. To provide for the safety and liquidity of funds deposited in the LGIP, the state treasurer and designated investment officers shall:

- adhere to all restrictions on the investment of funds established by law and by this policy;
- limit the purchase of investments in securities so that the weighted average maturity of the portfolio, as defined in Section VI of this policy, does not exceed 90 days;
- limit the purchase of investments to securities that have a maximum final maturity of 397 days, with the exceptions listed in Section VI of this policy;
- limit the purchase of investments in securities other than those issued by the U.S. government or its agencies; and,
- prepare regular reports of portfolio activity.

The primary objective of safety will be measured in cash, as opposed to accounting terms, where different, and in terms of the portfolio as a whole, as opposed to the terms of any individual transaction. This means, for example, that a single transaction that generated an accounting loss but actually increased the amount of cash received in the portfolio would be considered to have increased capital, and not decreased it.

Within the restrictions necessary to ensure the safety and liquidity of funds, the investment portfolio of the LGIP will be structured to attain a market rate of return throughout an economic cycle.

IV. Standards of Care

A. Prudence.

The State Treasurer and authorized investment officers will perform their duties in a manner consistent with the standard of a “prudent person,” as defined by RCW 43.250.040:

“In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments of the investment pool, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.”

Authorized investment officers acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for credit and market risks encountered in the performance of their investment duties. Due diligence requires timely reporting of material deviation from expectations and such other actions to control adverse developments as may be possible in consideration of the particular circumstances and within other provisions of this policy.

B. Ethics and Conflicts of Interest.

The State Treasurer, assistant treasurer, and authorized investment officers will adhere to standards of conduct as stipulated by the following:

- Public Disclosure Act, RCW 42.16;
- Ethics in Public Service Act, RCW 42.52 and section 292-110-010 Washington Administrative Code; and,
- Standards of Conduct for Executive Branch Employees, Executive Order 93-02.

All authorized investment officers will file personal financial disclosure forms with the Public Disclosure Commission consistent with the provisions of RCW 42.17.

C. Authorized Financial Dealers and Institutions.

The State Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment services to the state. Authorized broker/dealers and financial institutions will be limited to those that meet one or more of the following:

- financial institutions approved by the Washington Public Deposit Protection Commission (RCW 39.58); or,
- primary dealers recognized by the Federal Reserve Bank; or,
- non-primary dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and a certified member of the National Association of Securities Dealers.

Each authorized dealer or institution will regularly submit annual reports, including audited financial statements, and other information as determined by the State Treasurer.

V. Eligible Investments

Eligible investments are only those securities and deposits authorized by statute. (RCW 39.58, 39.59, and 43.84.080) Eligible investments include:

- obligations of the U.S. government;
- obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government;
- obligations of government-sponsored corporations which are, or may become, eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve;
- banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations;
- commercial paper, provided that the OST adheres with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7));
- certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission; and,
- obligations of the state of Washington or its political subdivisions.

VI. Investment Restrictions

To provide for the safety and liquidity of LGIP funds, the investment portfolio will be subject to the restrictions listed below. These represent minimum investment restrictions under this formal investment policy and there may be separate guidelines containing additional, more restrictive limitations for certain investment instruments. All restrictions are based on a settlement date basis. The investments of cash collateral and securities accepted as collateral by a securities lending agent are subject to the restrictions and limits of sections V and VI of this policy.

A. Weighted Average Maturity (WAM)

The weighted average maturity (WAM) of the portfolio will not exceed 90 days. For the purposes of calculating the WAM:

- A variable rate security will be deemed to have a maturity equal to the period remaining to the next reset date, provided that on any reset date such security can be reasonably expected to have a market value that approximates its amortized cost; and
- A floating rate security will be deemed to have a remaining maturity of one day, provided that at any time prior to maturity such security can reasonably be expected to have a market value that approximates its amortized cost.

B. Maximum Final Maturity

The maximum final maturity of any security will not exceed 397 days, with the following exceptions:

- Securities used as collateral in repurchase agreements;
- A variable rate security which on any reset date can reasonably be expected to have a market value that approximates its amortized cost; and,

- A floating rate security which at all times can reasonably be expected to have a market value that approximates its amortized cost.

The maximum maturity of the variable rate and floating rate securities meeting the requirements listed above will not exceed 762 days.

C. Percentage Limitations

Cash raised as a result of securities lending or reverse repurchase agreement transactions will not increase the dollar amount of the following limitations.

Government Securities

Investments in government securities will not exceed the following percentages of the total daily portfolio balance at amortized cost:

Floating and Variable Rate Notes (aggregate total)	30%
Variable Rate Notes with greater than 397 days to maturity not to exceed 10%	
Other Structured Notes	10%

For the purposes of this policy the following definitions shall apply:

Floating Rate Note: securities which at all times can reasonably be expected to have a market value that approximates their amortized cost.

Variable Rate Notes: securities which on any reset date can reasonably be expected to have a market value that approximates their amortized cost.

- Variable rate notes which have maturities greater than 397 days will not exceed 10% of the portfolio.

Other Structured Notes: all other debt securities whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and which may have embedded forwards or options.

- Structured notes whose cash flows can no longer fluctuate will not count against the 10% limitation.

Non-government Securities

Investments in non-government securities will not exceed the following percentages of the total daily portfolio balance at amortized cost:

Bankers Acceptances	20%
Commercial Paper	25%
Certificates of Deposit	10%

The aggregate amount for Commercial Paper and Bankers Acceptances will not exceed 35% of the portfolio. Additionally, individual issuers of commercial paper or bankers acceptances will be limited to no more than 5% of the portfolio.

D. Repurchase and Reverse Repurchase Agreements

Repurchase and reverse repurchase agreements will be subject to the following additional restrictions:

- transactions will be conducted only with primary dealers, the state's bank of record, or master custodial bank, and under the terms of a written master repurchase agreement approved by the Public Securities Association;
- repurchase agreements with any single primary dealer or financial institution will not exceed 20% of the portfolio;
- the weighted average maturity of repurchase agreements with any single primary dealer or financial institution will not exceed 30 days;
- the maximum term of repurchase agreements will be 180 days;
- the share of the portfolio allocated to repurchase agreements with maturities beyond 30 days will not exceed 30% of the total portfolio;
- the maximum term of reverse repurchase agreements will be 90 days and must be matched to anticipated cash flows adequate to liquidate the transaction; and,
- the maximum portion of the portfolio allocated to reverse repurchase agreements or engaged in a securities lending program will not exceed 30% of the total portfolio.

Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- securities delivered as collateral for a repurchase agreement with a maturity date longer than seven days will be priced at least weekly;
- all collateral substitutions will be approved by the OST before the existing collateral is released to the broker/dealer;
- the market value, plus accrued income, of treasury, agency and money market securities utilized in repurchase agreements will be 102% of the value of the repurchase agreement;
- the market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105% of the value of the repurchase agreement;
- collateralized mortgage obligation (CMO) repurchase agreement collateral must pass the Federal Financial Institutions Examination Council (FFIEC) test, or will not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency; and,
- only securities authorized in statute for the investment of public funds will be accepted as collateral.

Additional operating guidelines will provide details relating to the frequency of collateral pricing, collateral substitutions, and margin calls.

VII. Professional Services

The State Treasurer may contract for professional services as necessary for the efficient management of investments.

A. Appointment of Master Custodian

The State Treasurer may select one or more firms to provide the state with master custodial services. Master custodial services will include, but not be limited to:

- executing transactions involving all securities held in custody, including on-line security clearing, settlement of securities on a delivery-versus-payment basis (DVP), and settlement of physically-held securities;
- providing regular reports on the activity and value of the securities in custody; and,
- providing for the safekeeping of all documents and financial instruments physically held in custody.

B. Appointment of Securities Lending Agent

The State Treasurer may select one or more firms to provide securities lending management services. Securities lending services will include, but not be limited to:

- ensuring all loans of coupon-bearing securities are supported by collateral valued at not less than 102% of market value of the securities, including accrued income;
- ensuring all loans of non coupon-bearing securities supported by cash collateral, shall not be valued at less than 102% of market value, but not to exceed par;
- ensuring all loans of non coupon-bearing securities supported by non-cash collateral, shall not be valued at less than 102% of market value;
- ensuring the average maturity of securities on loan and of the securities purchased are for 14 days or less;
- ensuring that the investment of cash collateral be only in securities authorized in this policy, and that the restrictions on investments found in sections V and VI of this policy also apply to investments made by a securities lending agent;
- providing next day liquidity for all securities on loan; and,
- providing monthly accounting, performance, compliance, and management reports.

The services of a master custodian and securities lending agent will be obtained through an evaluation of competitive proposals submitted in response to a regularly issued request for proposals.

Securities purchased by the office are to be held by the master custodian, acting as an independent third party, in its safekeeping or trust department.

Collateral is to be similarly held or held by an independent third party with whom the office has a current master repurchase agreement.

All securities transactions are to be conducted on a DVP basis only, and a trade confirm/safekeeping receipt is to be provided to the Treasurer's Office.

VIII. Advisory Committee

The State Treasurer created the LGIP Advisory Committee to provide advice on the operation of the pool. Of the twelve committee members, all of whom are active LGIP participants, eight members are appointed by participant associations, and four members are appointed by the State Treasurer. The LGIP Advisory Committee will meet quarterly or at the discretion of the State Treasurer.

IX. Internal Controls

The State Treasurer will maintain internal controls to protect against the loss of public funds arising from negligence, theft or misuse. These controls will include, but not be limited to:

- the use of third party custody and safekeeping;
- the execution of all securities transactions on a DVP basis;
- the clear delegation of investment authority;
- the separation of transaction authority from record keeping;
- the use of objective criteria in selecting financial institutions and dealers authorized to provide investment services to the state; and,
- the use of objective criteria in awarding investment purchases and sales to authorized financial institutions and dealers.

Daily reports monitoring investment operations to ensure compliance with the terms of this policy will be produced and provided to staff responsible for oversight of the LGIP.

X. External Controls

As prescribed by RCW 43.09.050, the state auditor will “audit the accounts” and “inspect the books” of the State Treasurer to determine the compliance of investment activities with state statutes and this policy. In addition, the LGIP will contract, through the state auditor’s office, for an outside independent audit of LGIP financial statements.

The market value of the portfolio will be calculated monthly by the master custodian or by an independent pricing service under contract with the State Treasurer’s Office.

This policy will be reviewed/revised at least annually. The State Treasurer will formally approve any changes to this policy after consultation with the LGIP Advisory Committee.

XI. Reporting

In accordance with Washington Administrative Code 210-01-110, each pool participant will be provided a monthly statement of account. In accordance with RCW 43.250.080, the State Treasurer will submit an annual summary of LGIP activity to the governor, the state auditor, and the Joint Legislative Audit and Review Committee.

The State Treasurer will prepare semi-annual reports summarizing investment activity and performance of the portfolio. Reports will be distributed to state officials and agencies as appropriate and will be readily available upon request. The reports will include:

- purchases and sales of investments;
- investment income received;

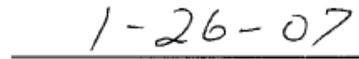
- realized securities gains and losses;
- weighted average maturity of the portfolio;
- portfolio balances, stated at both amortized cost and market value;
- portfolio yields; and,
- portfolio performance compared to the iMoneyNet, Inc. Government Only/Institutional Only Index to be used as a benchmark.

Results comparing LGIP performance to the benchmark will be provided to LGIP participants at least quarterly.



A handwritten signature in cursive script, reading "Michael J. Murphy", is written over a horizontal line.

Approved by Michael J. Murphy, State Treasurer



A handwritten date "1-26-07" is written over a horizontal line.

Date

Effective Date: January 26, 2007

CHAPTER 43.250 RCW INVESTMENT OF LOCAL GOVERNMENT FUNDS

Sections

43.250.010	Purpose.
43.250.020	Definitions.
43.250.030	Public funds investment account.
43.250.040	Authority of local government official to place funds in the public funds investment account--Investment of funds by state treasurer--Degree of judgment and care required
43.250.050	Employment of personnel.
43.250.060	Investment pool--Generally.
43.250.070	Investment pool--Separate accounts for participants--Monthly status report.
43.250.080	Annual summary of activity.
43.250.090	Administration of chapter--Rules.

Notes:

Investment accounting: RCW 43.33A.180.

RCW 43.250.010 Purpose.

The purpose of this chapter is to enable political subdivisions, community and technical college districts, the state board for community and technical colleges as established in chapter 28B.50 RCW, and public four-year institutions of higher education to participate with the state in providing maximum opportunities for the investment of surplus public funds consistent with the safety and protection of such funds. The legislature finds and declares that the public interest is found in providing maximum prudent investment of surplus funds, thereby reducing the need for additional taxation. The legislature also recognizes that not all political subdivisions are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby political subdivisions, community and technical colleges, the state board for community and technical colleges, and public four-year institutions of higher education may, at their option, utilize the resources of the state treasurer's office to maximize the potential of surplus funds while ensuring the safety of public funds.

[2001 c 31 § 1; 1996 c 268 § 1; 1986 c 294 § 1.]

RCW 43.250.020 Definitions.

Unless the context clearly requires otherwise, the definitions in this section shall apply throughout this chapter.

(1) "Public funds investment account" or "investment pool" means the aggregate of all funds as defined in subsection (5) of this section that are placed in the custody of the state treasurer for investment and reinvestment.

(2) "Political subdivision" means any county, city, town, municipal corporation, political subdivision, or special purpose taxing district in the state.

(3) "Local government official" means any officer or employee of a political subdivision who has been designated by statute or by local charter, ordinance, or resolution as the officer having the authority to invest the funds of the political subdivision. However, the county treasurer shall be deemed the only local government official for all political subdivisions for which the county treasurer has exclusive statutory authority to invest the funds thereof.

(4) "Financial officer" means the board-appointed treasurer of a community or technical college district, the state board for community and technical colleges, or a public four-year institution of higher education.

(5) "Funds" means:

(a) Public funds under the control of or in the custody of any local government official or local funds, as defined by the office of financial management publication "Policies, Regulations and Procedures," under the control of or in the custody of a financial officer by virtue of the official's authority that are not immediately required to meet current demands;

(b) State funds deposited in the investment pool by the state treasurer that are the proceeds of bonds, notes, or other evidences of indebtedness authorized by the state finance committee under chapter 39.42 RCW or payments pursuant to financing contracts under chapter 39.94 RCW, when the investments are made in order to comply with the Internal Revenue Code of 1986, as amended.

[2001 c 31 § 2; 1996 c 268 § 2; 1990 c 106 § 1; 1986 c 294 § 2.]

RCW 43.250.030 Public funds investment account.

There is created a trust fund to be known as the public funds investment account. The account is to be separately accounted for and invested by the state treasurer. All moneys remitted under this chapter shall be deposited in this account. All earnings on any balances in the public funds investment account, less moneys for administration pursuant to RCW 43.250.060, shall be credited to the public funds investment account.

[1991 sp.s. c. 13 § 86; 1990 c. 106 § 2; 1986 c. 294 § 3.]

Notes:

Effective dates--Severability--1991 sp.s. c. 13: See notes following RCW 18.08.240.

RCW 43.250.040 Authority of official to place funds in the public funds investment account--Investment of funds by state treasurer--Degree of judgment and care required.

If authorized by statute, local ordinance, or resolution, a local government official or financial officer or his or her designee may place funds into the public funds investment account for investment and reinvestment by the state treasurer in those securities and investments set forth in RCW 43.84.080 and chapter 39.58 RCW. The state treasurer shall invest the funds in such manner as to effectively maximize the yield to the investment pool. In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments of the investment pool, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.

[2001 c 31 § 3; 1996 c 268 § 3; 1986 c 294 § 4.]

RCW 43.250.050 Employment of personnel.

The state treasurer's office is authorized to employ such personnel as are necessary to administer the public funds investment account. The bond of the state treasurer as required by law shall be made to include the faithful performance of all functions relating to the investment pool.

[1986 c. 294 § 5.]

RCW 43.250.060 Investment pool--Generally.

The state treasurer shall by rule prescribe the time periods for investments in the investment pool and the procedure for withdrawal of funds from the investment pool. The state treasurer shall promulgate such other rules as are deemed necessary for the efficient operation of the investment pool. The rules shall also provide for the administrative expenses of the investment pool, including repayment of the initial administrative costs financed out of the appropriation included in chapter 294, Laws of 1986, to be paid from the pool's earnings and for the interest earnings in excess of the expenses to be credited or paid to participants in the pool. The state treasurer may deduct the amounts necessary to reimburse the treasurer's office for the actual expenses the office incurs and to repay any funds appropriated and expended for the initial administrative costs of the pool. Any credits or payments to the participants shall be calculated and made in a manner which equitably reflects the differing amounts of the participants' respective deposits in the investment pool fund and the differing period of time for which the amounts were placed in the investment pool.

[1990 c. 106 § 3; 1986 c. 294 § 6.]

RCW 43.250.070 Investment pool--Separate accounts for participants--Monthly status report.

The state treasurer shall keep a separate account for each participant having funds in the investment pool. Each separate account shall record the individual amounts deposited in the investment pool, the date of withdrawals, and the earnings credited or paid. The state treasurer shall report monthly the status of the respective account to each participant having funds in the pool during the previous month.

[1990 c. 106 § 4; 1986 c. 294 § 7.]

RCW 43.250.080 Annual summary of activity.

At the end of each fiscal year, the state treasurer shall submit to the governor, the state auditor, and the joint legislative audit and review committee a summary of the activity of the investment pool. The summary shall indicate the quantity of funds deposited; the earnings of the pool; the investments purchased, sold, or exchanged; the administrative expenses of the investment pool; and such other information as the state treasurer deems relevant.

[1996 c 288 § 48; 1986 c. 294 § 8.]

RCW 43.250.090 Administration of chapter--Rules.

The state finance committee shall administer this chapter and adopt appropriate rules.

[1986 c. 294 § 9.]

CHAPTER 210-01 WAC LOCAL GOVERNMENT INVESTMENT POOL

WAC

210-01-010	Promulgation.
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WAC 210-01-010 Promulgation.

The state finance committee, after due and proper notice, and pursuant to the provisions of chapter 294, Laws of 1986, hereby adopts and promulgates the following rules and regulations, effective July 1, 1986.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), §210-01-010, filed 6/19/86.]

WAC 210-01-020 Definitions.

Unless the context requires otherwise:

(1) "Local government investment pool" or "pool" means the aggregate of all funds from political subdivisions that are placed in the custody of the state treasurer for investment and reinvestment.

(2) "Pool participant" means any county, city, town, municipal corporation, political subdivision, community and technical college district, the state board for community and technical colleges, or other entities in this state as may be designated by statute.

(3) "Local government official" means any officer or employee of political subdivision who has been designated by statute or by local charter, ordinance, or resolution as the officer having the authority to invest the funds of the political subdivision.

(4) "Financial officer" means the board-appointed treasurer of a community or technical college district or the state board for community and technical colleges.

(5) "Funds" means public funds under the control of or in the custody of any local government official or local funds, as defined by the office of financial management publication "Policies, Regulations and Procedures," under the control of or in the custody of a financial officer by virtue of the official's or financial officer's authority that are not immediately required to meet current demands.

(6) "Financial institution" means a public depository defined in RCW 39.58.010.

[Statutory Authority: Chapter 43.250 RCW and RCW 43.250.090. 98-24-060, § 210-01-020, filed 11/30/98, effective 12/31/98. Statutory Authority: 43.250.090, 43.250.010, [43.250].020 and [43.250].040. 96-18-029, § 210-01-020, filed 8/28/96, effective 9/28/96. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-020, filed 6/19/86.]

WAC 210-01-030 Local government ordinance or resolution.

All government entities participating in the local government investment pool will file with the state treasurer a certified copy of an ordinance or resolution containing the following:

(1) Name and address of entity.

(2) A statement that the governmental entity agrees to deposit or withdraw funds in the local government investment pool in accordance with the provisions of the Washington Administrative Code for the purpose of investment as stated therein.

(3) The names and titles of the officials authorized by this ordinance or resolution to order the deposit or withdrawal of funds in the local government investment pool. No more than two signatures are necessary for this purpose.

[Statutory Authority: Chapter 43.250.090, 43.250.010, [43.250].020 and [43.250].040, 96-18-029, § 210-010-030, filed 8/28/96, effective 9/28/96. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-030, filed 6/19/86.]

WAC 210-01-040 Proper adoption and filing of local government ordinance or resolution.

It shall be the responsibility of local government officials to properly execute and file the resolution or ordinance, described in WAC 210-01-030 with the state treasurer. The state treasurer shall not allow participation in the local government investment pool unless such resolution or ordinance has been filed with the office of state treasurer.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-040, filed 6/19/86.]

WAC 210-01-050 State treasurer's liability.

The state treasurer shall not be liable for any damages resulting from misfeasance, malfeasance, nonfeasance, or defalcation on the part of local government officials.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-050, filed 6/19/86.]

WAC 210-01-060 Deposit and withdrawal of funds.

The minimum transaction size will be at least five thousand dollars.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-060, filed 6/19/86.]

WAC 210-01-070 Transaction limitation.

Each pool participant shall be limited to one transaction per business day. This may be either a deposit to or a withdrawal from the pool.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-070, filed 6/19/86.]

WAC 210-01-080 Deposit procedures.

A pool participant, to receive same day credit, must inform the office of the state treasurer of any deposit over one million dollars no later than 9:00 a.m. on the same day the deposit is made. Deposits for one million dollars or less can be requested at any time prior to 10 a.m. on the day of deposit. All deposits will be made by electronic funds transfer to an account designated by the state treasurer. It is the responsibility of each pool participant to pay any bank charges associated with such electronic transfers to the office of the state treasurer. Failure to wire funds by a pool participant (after notification to the state treasurer of an intended transfer) will result in a bank overdraft in the state treasurer's bank account. Bank penalties for overdrafts will be assessed to those pool participants responsible for the overdraft.

[Statutory Authority: Chapter 43.250 RCW and RCW 43.250.090. 98-24-060, § 210-01-080, filed 11/30/98, effective 12/31/98. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-080, filed 6/19/86.]

WAC 210-01-090 Withdrawal procedures.

A pool participant, in order to withdraw funds from the pool, must notify the office of state treasurer of any withdrawal over one million dollars no later than 9 a.m. on the same day the withdrawal is made. Withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of withdrawal. Each local government entity participating in the pool shall file with the state treasurer a letter designating the financial institution at which funds withdrawn from the pool shall be deposited. This letter shall contain the name of the financial institution, location of the financial institution, account number to which funds will be deposited and account name. This letter shall be signed by local officials authorized to receive and disburse funds, as described in WAC 210-01-030. Disbursements from the pool will be by electronic funds transfer. Failure of the state treasurer to wire funds to a pool participant (after proper notification to the state treasurer to disburse funds to a pool participant) may result in a bank overdraft in the pool participant's bank account. The state treasurer will reimburse pool participants for such bank overdraft penalties charged to the pool participant's bank account.

[Statutory Authority: Chapter 43.250 RCW and RCW 43.250.090, 98-24-060, § 210-01-090, filed 11/30/98, effective 12/31/98. Statutory Authority: 1986 c 294, 86-14-002 (Resolution No. 639), § 210-01-090, filed 6/19/86.]

WAC 210-01-100 Interest earnings credit.

Interest earnings on funds deposited in the local government investment pool will be credited to each pool participant's account in the pool on the last day of the month in which the interest income was earned. These funds may be left on deposit and earn interest at the discretion of each pool participant.

[Statutory Authority: 1986 c 294, 86-14-002 (Resolution No. 639) § 210-01-100, filed 6/19/86.]

WAC 210-01-110 Reporting requirements.

The state treasurer will provide to each pool participant a statement showing that participant's beginning balance, deposits, withdrawals, administrative charges, earnings rate, earnings and ending balance for the calendar month.

[Statutory Authority: 1986 c 294, 86-14-002 (Resolution No. 639), § 210-01-110, filed 6/19/86.]

WAC 210-01-120 Administrative deductions.

As authorized in RCW 43.250.060, the state treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the local government investment pool. The deduction for the amount to reimburse the office of the state treasurer will be based on the average daily balance of the funds deposited in the pool. Each participant will reimburse based upon its share of the total pool's assets. The deduction will be expressed as a percentage of the average daily funds on deposit in the pool for a specified period. This reimbursement will be deducted from each participants earnings prior to the credit of those earnings. The administrative deduction will be adjusted to reflect actual experience.

[Statutory Authority: Chapter 43.250 RCW and RCW 43.250.090, 00-07-003, § 210-01-120, filed 3/2/00, effective 4/2/00. Statutory Authority: RCW 43.250.090, 43.250.010, [43.250].020 and [43.250].040. 96-18-029, § 210-01-120, filed 8/28/96, effective 9/28/96. Statutory Authority: 1986 c 294, 86-14-002 (Resolution No. 639), § 210-01-120, filed 6/19/86.]

WAC 210-01-130 Portfolio management.

The state treasurer shall have sole responsibility in the setting of investment strategy for the local government investment pool. Any investments made hereunder shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable income to be derived.

[Statutory Authority: 1986 c 294, 86-14-002 (Resolution No. 639), § 210-01-130, filed 6/19/86.]





Statistical Section



TABLE 1
NET ASSETS
Last Ten Fiscal Years
(expressed in thousands)

	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008
Assets										
Investments ¹										
Repurchase Agreements	\$ 937,462	\$ 1,331,680	\$ 349,858	\$ 458,043	\$ 903,626	\$ 683,906	\$ 1,566,853	\$ 3,280,925	\$ 3,820,672	\$ 2,115,768
U.S. Agency Securities	1,785,375	1,351,592	3,914,423	3,270,989	3,665,154	3,763,313	2,769,258	1,115,036	1,486,788	5,624,473
U.S. Treasury Securities	203,287	56,903	731,377	1,697,798	228,209	351,151	49,766	19,919	149,795	.....
Commercial Paper	323,750	520,290	.....	.....	.....	.....	.....	.....	.....	.....
Total (excluding Securities Lending & Securities Purchased or Matured But Not Settled)	3,249,874	3,260,465	4,995,658	5,426,830	4,796,989	4,798,370	4,385,877	4,415,880	5,457,255	5,840,241
Securities Lending Investments ¹										
Repurchase Agreements	.....	.....	311,052	683,155	143,941	298,799	80,899	44,790	91,105	113,595
Total Investments (Settlement Date Basis)	3,249,874	3,260,465	5,306,710	6,109,985	4,940,930	5,097,169	4,466,776	4,460,670	5,548,360	5,953,836
Due from Brokers ¹										
(Securities Purchased But Not Settled)	397,229	445,578	59,469	.....	199,679	449,477	43,661	.....	98,770	.....
U.S. Agency Securities	.....	.....	.....	50,934	.....	.....	.....	.....	.....	.....
U.S. Treasury Securities	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Due to Brokers ¹										
(Securities Matured But Not Settled)	.....	.....	.....	(100,000)	.....	.....	.....	.....	.....	.....
U.S. Treasury Securities	3,647,103	3,706,043	5,366,179	6,060,919	5,140,609	5,546,646	4,510,437	4,460,670	5,647,130	5,953,836
Other Assets										
Interest Bearing Bank Deposits	.....	.....	.....	.....	267,236	39,820	429,234	674,006	378,726	381,110
Certificates of Deposit	46,700	164,800	124,900	144,050	110,150	105,000	143,250	188,500	255,350	646,350
Cash	1,841	250	.....	.....	10	.....	1	1	.....	105
Interest Receivable	10,105	9,619	13,803	5,753	4,516	4,747	9,086	13,046	21,659	18,655
Investment Maturities Pending Receivable	.....	.....	.....	100,000	.....	.....	.....	.....	.....	.....
Total Other Assets	58,646	174,669	138,703	249,803	381,912	149,567	581,571	875,553	655,735	1,046,220
Total Assets	<u>3,705,749</u>	<u>3,880,712</u>	<u>5,504,882</u>	<u>6,310,722</u>	<u>5,522,521</u>	<u>5,696,213</u>	<u>5,092,008</u>	<u>5,336,223</u>	<u>6,302,865</u>	<u>7,000,056</u>
Liabilities										
Cash Drawn in Excess of Bank Balance	.....	.....	.....	1,999	.....	.....	.....	.....	.....	.....
Accrued Expenses	198	314	1,336	663	211	413	153	419	750	337
Obligations Under Securities Lending Agreements	.....	.....	311,052	683,156	143,941	298,799	80,899	44,790	91,105	113,595
Investment Trades Pending Payable	397,229	445,578	59,469	50,939	199,679	449,477	43,903	.....	98,770	.....
Total Liabilities	<u>397,427</u>	<u>445,892</u>	<u>371,857</u>	<u>736,757</u>	<u>343,831</u>	<u>748,689</u>	<u>124,955</u>	<u>45,209</u>	<u>190,625</u>	<u>113,932</u>
Net Assets	<u>\$ 3,308,322</u>	<u>\$ 3,434,820</u>	<u>\$ 5,133,025</u>	<u>\$ 5,573,965</u>	<u>\$ 5,178,690</u>	<u>\$ 4,947,524</u>	<u>\$ 4,967,053</u>	<u>\$ 5,291,014</u>	<u>\$ 6,112,240</u>	<u>\$ 6,886,124</u>

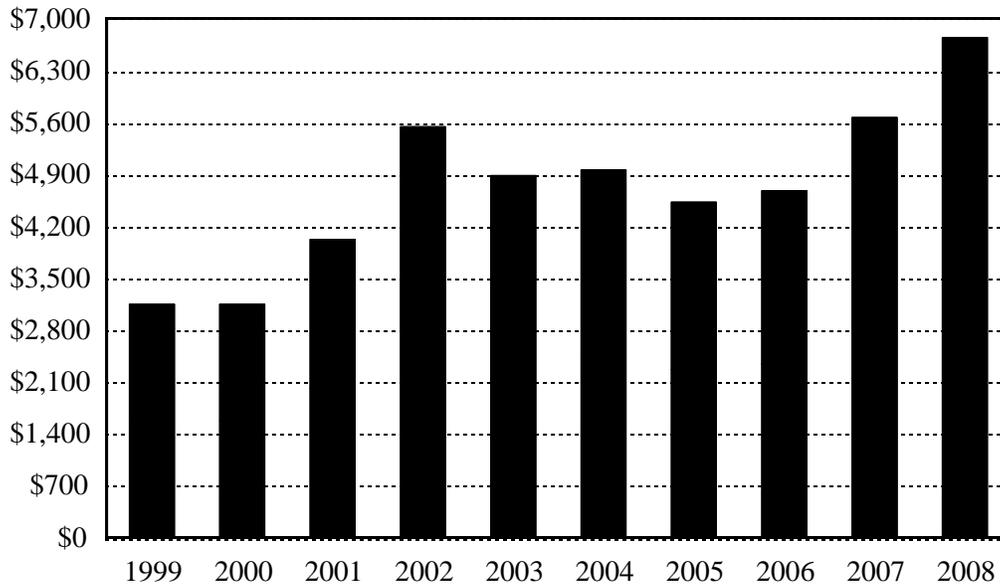
¹ valued at amortized cost

TABLE 2
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(expressed in thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
ADDITIONS										
Contributions from Participants	\$ 10,041,586	\$ 10,351,953	\$ 11,840,249	\$ 12,956,626	\$ 12,514,906	\$ 12,262,144	\$ 11,537,145	\$ 12,891,202	\$ 13,138,868	\$ 15,913,825
Investment Income:										
Investment Earnings	163,658	181,081	243,556	145,974	78,111	57,656	103,852	205,216	306,142	277,538
Less: Expenses	(1,036)	(1,028)	(9,877)	(6,494)	(3,824)	(2,736)	(3,547)	(5,731)	(4,519)	(3,330)
Total Investment Income	162,622	180,053	233,679	139,480	74,287	54,920	100,305	199,485	301,623	274,208
Miscellaneous	6	6	5	4	3	2	2	1	4	1
Total Additions	10,204,214	10,532,012	12,073,933	13,096,110	12,589,196	12,317,066	11,637,452	13,090,688	13,440,495	16,188,034
DEDUCTIONS										
Distributions to Participants	9,864,408	10,404,888	10,375,222	12,654,682	12,983,913	12,547,682	11,617,385	12,766,205	12,618,725	15,413,583
Administrative Expenses	590	626	506	488	558	550	538	522	544	567
Total Deductions	9,864,998	10,405,514	10,375,728	12,655,170	12,984,471	12,548,232	11,617,923	12,766,727	12,619,269	15,414,150
CHANGE IN NET ASSETS	339,216	126,498	1,698,205	440,940	(395,275)	(231,166)	19,529	323,961	821,226	773,884
Net Assets - Beginning of Year	2,969,106	3,308,322	3,434,820	5,133,025	5,573,965	5,178,690	4,947,524	4,967,053	5,291,014	6,112,240
Net Assets - End of Year	\$ 3,308,322	\$ 3,434,820	\$ 5,133,025	\$ 5,573,965	\$ 5,178,690	\$ 4,947,524	\$ 4,967,053	\$ 5,291,014	\$ 6,112,240	\$ 6,886,124

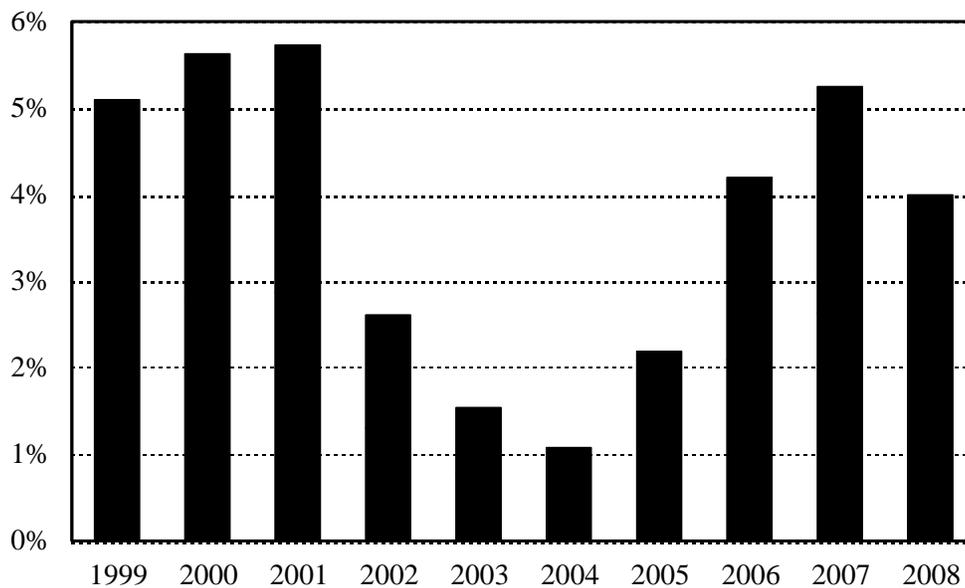
AVERAGE INVESTED BALANCES

Last Ten Fiscal Years
(\$ in Millions)

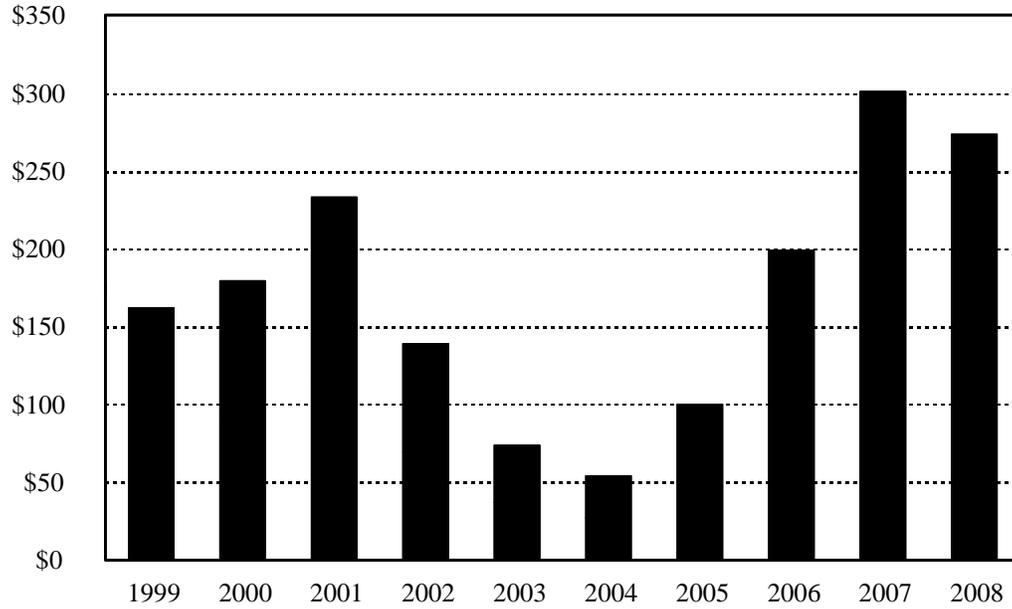


PORTFOLIO YIELD PERCENTAGE

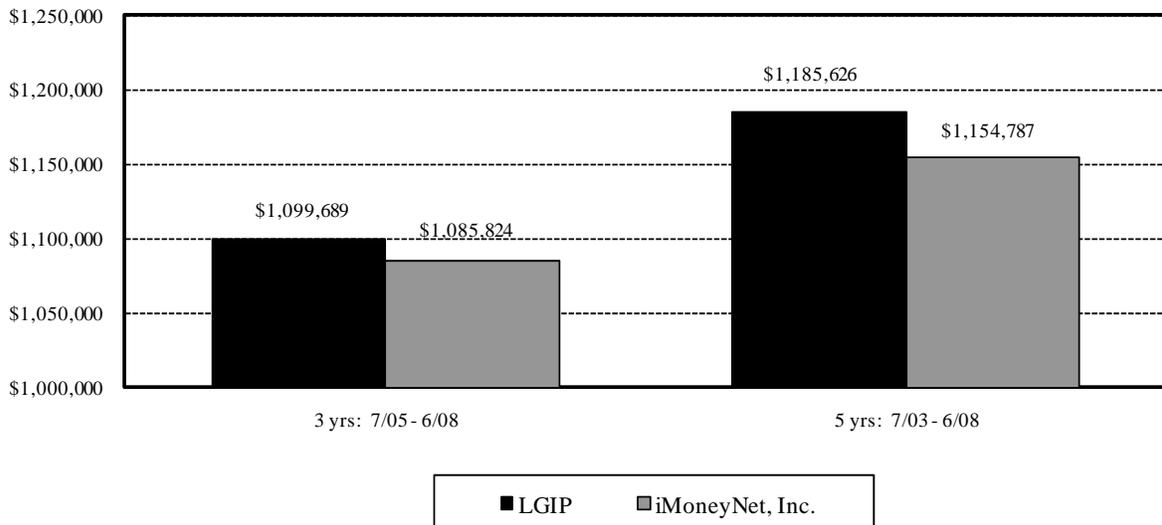
Last Ten Fiscal Years
(360-Day Basis)



NET INVESTMENT INCOME
 Last Ten Fiscal Years
 (\$ in Millions)



LGIP versus iMoneyNet, Inc
 \$1 Million Compounded Over 3yrs / 5yrs



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